

**CITY OF MANTON, MICHIGAN**

**NOVEMBER 30, 2008**

*Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

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NOVEMBER 30, 2008

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# *Baird, Cotter and Bishop, P.C.*

## CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
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December 16, 2008

### INDEPENDENT AUDITORS' REPORT

To the Mayor and City Commission  
City of Manton, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Manton, Michigan, as of and for the year ended November 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Manton, Michigan's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Manton, Michigan, at November 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2008, on our consideration of the City of Manton, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages iii through xi and budgetary comparison and schedule of funding progress information on page 34 and 35 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Manton, Michigan's basic financial statements. The individual fund financial statements and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P. C.

*Baird, Cotter & Bishop, P.C.*

## CITY OF MANTON, MICHIGAN

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### FOR YEAR ENDED NOVEMBER 30, 2008

The management of the City of Manton, Michigan ("the City") offers this narrative overview and analysis of the financial activities of the City for the fiscal year ended November 30, 2008, for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the City's financial activity. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

#### **Financial Highlights**

##### **Government-Wide**

- ❖ The assets of the City exceeded its liabilities at the close of this fiscal year by \$6,280,697 (shown as *Net Assets*). Governmental Activities had a decrease of \$(39,760), while Business-Type activities decreased \$(88,969).

##### **Fund Level Financial Highlights**

- ❖ As of November 30, 2008, the governmental funds of the City of Manton reported combined ending fund balances of \$711,197.
- ❖ The unreserved fund balance of the City's General Fund increased this year to \$358,436.

##### **Long-Term Debt**

- ❖ The City of Manton's long-term debt **decreased** by \$119,181 during the fiscal year.

#### **Overview of the Financial Statements**

The City of Manton's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** The *government-wide financial statements* are designed to provide a broad overview of the City's financial position. The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the City as a whole, and provide measurements of long-term trends. They are presented using a method of accounting that is similar to a private-sector business.

The *Statement of Net Assets* (Pages 1-2) presents information on all of the City's assets and liabilities, the difference between the two being reported as the Net Assets of the City. Over time, increases or decreases in net assets can serve as a useful indicator of whether the financial position of the City is improving or deteriorating. An increase in net assets would indicate an improvement in financial condition. On the other hand, a consistent decrease over time in net assets may indicate a decline in the financial health of an organization.

The *Statement of Activities* (Page 3) gives the information on the revenues and expenses causing the underlying change in the government's net assets during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

CITY OF MANTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED NOVEMBER 30, 2008

Both of these statements distinguish functions of the City that are principally supported by property taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Governmental activities of the City include general government, public safety, major and local streets, public works, culture and recreation. Business-type activities of the City include water and sewer utility services, and fire protection.

**Focus on Funds**

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus has shifted, however, to Major Funds, rather than the previous focus on fund types. The City's major Governmental Funds include the General Fund, Major Street Fund, Local Street Fund, and Fire Fund. The major Proprietary Funds include the Water and Sewer Funds.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The City of Manton uses fund accounting to ensure compliance with finance-related legal requirements. There are three basic types of funds: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** Many of the City's basic services are reported in the governmental funds. Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments and certain other items are treated differently than on the government-wide statements. These items are recorded in the governmental fund statements on the Statement of Revenues, Expenditures and Changes in Fund Balance as an expenditure. No depreciation is recorded on capital items. The balance sheet for governmental funds does not include any capital items or long-term debt. Governmental funds for the City include the General Fund and the Special Revenue Funds.

**Proprietary Funds** Proprietary funds account for services for which the City charges its customers for the services they are provided. These charges can be to external customers or other agencies within the City. The City reports one type of proprietary fund:

- Enterprise funds are used to report business-like activities of the City. These activities intend to recover the full cost of the services through the fee charged to the customers. The City has two enterprise funds, which are the Water Fund and Sewer Fund.

CITY OF MANTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED NOVEMBER 30, 2008

***Fiduciary Funds*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds are not reflected in the government-wide financial statements because the resources of the funds are not available for supporting the City's programs. These funds are accounted for using the full accrual method of accounting, much like the Proprietary funds.

**Notes to the Financial Statements**

The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the City's financial position over time. The Net Assets of the City are \$6,280,697 at November 30, 2008, meaning that the City's assets were greater than its liabilities by this amount. A comparison with the previous fiscal year is presented in order to show the change in Net Assets over the previous fiscal year.



CITY OF MANTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED NOVEMBER 30, 2008

**City of Manton**  
**Net Assets as of November 30,**

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
Current assets	\$ 728,575	\$ 612,181	\$ 642,217	\$ 736,919	\$ 1,370,792	\$ 1,349,100
Capital Assets	1,795,324	1,721,569	4,956,371	5,328,556	6,751,695	7,050,125
Other Non-Current Assets	0	0	17,100	18,050	17,100	18,050
<b>Total Assets</b>	<b>2,523,899</b>	<b>2,333,750</b>	<b>5,615,688</b>	<b>6,083,525</b>	<b>8,139,587</b>	<b>8,417,275</b>
Long-term liabilities	0	0	1,725,000	1,840,807	1,725,000	1,840,807
Current liabilities	51,220	38,707	82,670	117,109	133,890	155,816
<b>Total Liabilities</b>	<b>51,220</b>	<b>38,707</b>	<b>1,807,670</b>	<b>1,957,916</b>	<b>1,858,890</b>	<b>1,996,623</b>
<b>Net Assets</b>						
Invested in capital assets						
net of related debt	1,795,324	1,721,569	3,157,371	3,419,749	4,952,695	5,141,318
Restricted for Debt Service	0	0	66,496	55,625	66,496	55,625
Unrestricted	677,355	573,474	584,151	650,235	1,261,506	1,223,709
<b>Total Net Assets</b>	<b>\$ 2,472,679</b>	<b>\$ 2,295,043</b>	<b>\$ 3,808,018</b>	<b>\$ 4,125,609</b>	<b>\$ 6,280,697</b>	<b>\$ 6,420,652</b>

The most significant portion of the City's Net Assets is the investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the City used to acquire or construct the asset. The City has \$1,261,506 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by City policies regarding their use.

The total net assets of the City decreased \$(128,729) in this fiscal year. The following table illustrates and summarizes the results of the changes in the Net Assets for the City. The condensed information was derived from the government-wide Statement of Activities.

CITY OF MANTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED NOVEMBER 30, 2008

**City of Manton**  
**Change in Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b><u>Revenues</u></b>						
<b>Program Revenues</b>						
Charges for Services	\$ 117,153	\$ 80,669	\$ 412,256	\$ 445,183	\$ 529,409	\$ 525,852
Operating Grants and Contributions	106,220	102,886	0	0	106,220	102,886
Capital Grants and Contributions	0	160,167	2,180	335,620	2,180	495,787
<b>General Revenues</b>						
Property Taxes	335,078	315,084	0	37,941	335,078	353,025
State Grants	142,427	140,481	0	0	142,427	140,481
Licenses and Permits	13,019	16,000	0	0	13,019	16,000
Fines and Forfeits	400	258	0	0	400	258
Interest and Rents	129,214	12,691	15,224	19,365	144,438	32,056
Insurance Recoveries	0	5,660	0	0	0	5,660
Other	48,515	103,766	28,882	22,000	77,397	125,766
<b>Total Revenues</b>	<u>892,026</u>	<u>937,662</u>	<u>458,542</u>	<u>860,109</u>	<u>1,350,568</u>	<u>1,797,771</u>
<b><u>Expenses</u></b>						
General Government	187,848	181,160	0	0	187,848	181,160
Public Safety	145,437	76,048	0	0	145,437	76,048
Public Works	350,029	335,296	0	0	350,029	335,296
Economic Development/Assistance	5,858	12,468	0	0	5,858	12,468
Recreation and Culture	86,998	88,301	0	0	86,998	88,301
Other Functions	154,150	157,920	0	0	154,150	157,920
Debt Service	1,466	0	0	0	1,466	0
Water, Sewer and Fire	0	0	547,511	618,365	547,511	618,365
<b>Total Expenses</b>	<u>931,786</u>	<u>851,193</u>	<u>547,511</u>	<u>618,365</u>	<u>1,479,297</u>	<u>1,469,558</u>
Increase (Decrease) in Net Assets	(39,760)	86,469	(88,969)	241,744	(128,729)	328,213
Beginning Net Assets	<u>2,512,439</u>	<u>2,208,574</u>	<u>3,896,987</u>	<u>3,883,865</u>	<u>6,409,426</u>	<u>6,092,439</u>
Ending Net Assets	<u>\$ 2,472,679</u>	<u>\$ 2,295,043</u>	<u>\$ 3,808,018</u>	<u>\$ 4,125,609</u>	<u>\$ 6,280,697</u>	<u>\$ 6,420,652</u>

CITY OF MANTON, MICHIGAN

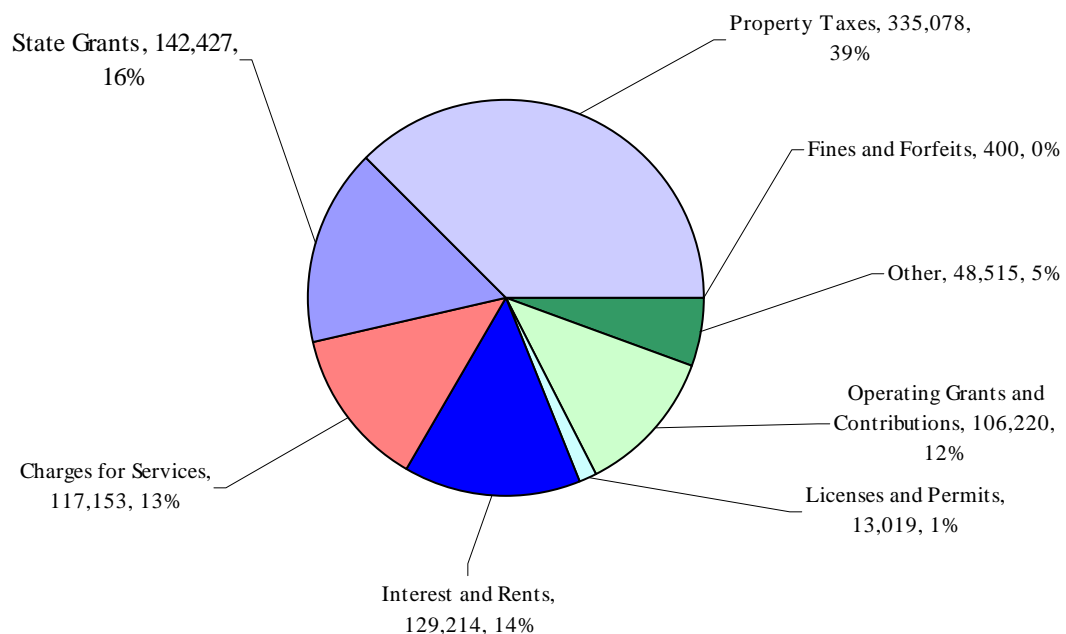
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED NOVEMBER 30, 2008

**Governmental Activities**

The following chart details the revenue sources for the governmental activities of the City for the fiscal year ended November 30, 2008:

**Revenues - Governmental Activities  
Fiscal Year Ended November 30, 2008**



The most significant portion of the revenue for all governmental activities of the City of Manton comes from Property Taxes (39%). The City's operating millage remained the same in 2008 at 14.00 mills. The City's charter allows the City to levy up to 15.00 mills for operations.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes.

CITY OF MANTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED NOVEMBER 30, 2008

The City's governmental activities expenses are dominated by the Public Works expenses that total \$350,029. General Government represented the next largest expense at \$187,848.

**Business-Type Activities**

These activities accounted for a decrease of \$(88,969) in the City's Net Assets.

The Business-Type activities of the City include the Water Fund and Sewer Fund, which provide water and sewer utility services to City residents as well as commercial customers.

**Financial Analysis of the Government's Funds**

***Governmental Activities*** At the completion of the City's fiscal year ended November 30, 2008, its governmental funds reported fund balances of \$711,197. \$685,803 of this amount is unreserved.

**General Fund** – The General Fund is the main operating fund of the City. The General Fund increased its fund balance in this fiscal year by \$28,733, bringing the balance to \$374,319. The General Fund's major functions that ended the year with expenditures above appropriated amounts were General Government, Economic Development and Assistance, Recreation and Culture and Other Functions.

**Major Street Fund** – The fund balance of the Major Street Fund ended the year at \$137,089. This was an increase of \$957 from the previous year.

**Local Street Fund** – The fund balance of this fund is at \$155,773 an increase of \$44,542, during this fiscal year.

**Fire Fund** – The fund balance of this fund is at \$44,016 a decrease of \$24,670, during this fiscal year. For the year ended November 30, 2008 the City reclassified the Fire Fund from a Proprietary Fund to a Governmental Special Revenue Fund.

***Proprietary Funds*** The City's proprietary funds provide virtually the same information as the government-wide statements; however more detail may be found in the fund financial statements.

**Water Fund** – The Water Fund ended this fiscal year with \$89,654 in unrestricted net assets. The net assets of the fund decreased by \$(34,892).

**Sewer Fund** – The Sewer Fund ended this fiscal year with \$494,497 in unrestricted net assets. The net assets of the fund decreased \$(54,077).

**Capital Asset and Debt Administration**

**Capital Assets.** The City's investment in capital assets for the governmental and business-type activities as of November 30, 2008, amounted to \$6,751,695 (net of accumulated depreciation). Capital assets of the City include any items purchased that cost in excess of \$5,000 and have an expected useful life of over two years. The City has invested in a broad range of capital assets, as detailed below:

CITY OF MANTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED NOVEMBER 30, 2008

**City of Manton**  
**Capital Assets as of November 30,**

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
Land and Land Improvements	\$ 439,391	\$ 439,391	\$ 207,807	\$ 207,807	\$ 647,198	\$ 647,198
Infrastructure	2,020,408	2,020,408	5,805,764	5,855,229	7,826,172	7,875,637
Buildings	255,031	209,770	2,733	6,873	257,764	216,643
Machinery and Equipment	1,431,679	906,197	495,235	971,252	1,926,914	1,877,449
Subtotal	4,146,509	3,575,766	6,511,539	7,041,161	10,658,048	10,616,927
Accumulated Depreciation	(2,351,185)	(1,722,275)	(1,555,168)	(1,521,844)	(3,906,353)	(3,244,119)
Net Capital Assets	<u>\$ 1,795,324</u>	<u>\$ 1,853,491</u>	<u>\$ 4,956,371</u>	<u>\$ 5,519,317</u>	<u>\$ 6,751,695</u>	<u>\$ 7,372,808</u>

Major capital asset events during FY2008 included the following:

- An arts pavilion was constructed in Railroad Park at a cost of \$41,121.

Additional information regarding the City's capital assets can be found in the Notes to Financial Statements.

**Long-Term Debt.** As of November 30, 2008, the City had total bonded debt outstanding of \$1,799,000. The City's debt represents bonds secured solely by specified revenue sources. Of the revenue bonds, \$530,000 are from the Water Fund, which are backed by revenues from the Water System and have been used to finance major capital projects within the Water System. The remainder of the revenue bonds of \$1,269,000 are the Sewer Fund's and have been used to finance major capital sewer projects.

**City of Manton Outstanding Debt**  
**General Obligation and Revenue Bonds**  
**as of November 30,**

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total Primary</b>	
	<b>Activities</b>		<b>Activities</b>		<b>Government</b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
Contracts and Advances	\$ 0	\$ 0	\$ 0	\$ 51,181	\$ 0	\$ 51,181
Revenue Bonds	0	0	1,799,000	1,897,000	1,799,000	1,897,000
Total	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,799,000</u>	<u>\$ 1,948,181</u>	<u>\$ 1,799,000</u>	<u>\$ 1,948,181</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation based on the City's assessed valuation of

CITY OF MANTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED NOVEMBER 30, 2008

\$17,645,317 is \$1,764,532, which is significantly in excess of the City's outstanding general obligation debt of \$0.

The City's long-term debt decreased by \$119,181 during the current fiscal year. More information on the City's long-term debt is available in the Notes to Financial Statements.

**Economic Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential reductions in state-shared revenues.

These factors were considered in preparing the City's budgets for the 2008-09 fiscal year.

**Contacting the City's Finance Department**

This financial report is designed to provide the wide variety of users of this document with a general overview of the City's finances and demonstrate the City's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to the City of Manton, City Clerk, 306 W. Main St., Manton, Michigan 49663, or call us at (231) 824-3572.

CITY OF MANTON  
MANTON, MICHIGAN

STATEMENT OF NET ASSETS

NOVEMBER 30, 2008

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	
<u>Assets</u>			
<u>Current Assets</u>			
Cash	\$ 551,948	\$ 530,567	\$ 1,082,515
Taxes Receivable	59,609	0	59,609
Accounts Receivable	4,359	55,471	59,830
Due from External Parties - Fiduciary Fund	53	0	53
Due from Other Governments	39,757	0	39,757
Internal Balances	51,937	(51,937)	0
Prepaid Expenses	18,285	3,226	21,511
Inventories	2,627	38,394	41,021
Restricted Assets			
Cash	0	66,496	66,496
Total Current Assets	728,575	642,217	1,370,792
<u>Non Current Assets</u>			
Capital Assets	4,146,509	6,511,539	10,658,048
Less Accumulated Depreciation	(2,351,185)	(1,555,168)	(3,906,353)
Net Capital Assets	1,795,324	4,956,371	6,751,695
<u>Other Non Current Assets</u>			
Bond Issuance Costs	0	19,000	19,000
Less Accumulated Amortization	0	(1,900)	(1,900)
Net Other Non Current Assets	0	17,100	17,100
Total Non Current Assets	1,795,324	4,973,471	6,768,795
TOTAL ASSETS	\$ 2,523,899	\$ 5,615,688	\$ 8,139,587

The notes to the financial statements are an integral part of this statement.

CITY OF MANTON  
MANTON, MICHIGAN

STATEMENT OF NET ASSETS

NOVEMBER 30, 2008

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<u>Liabilities and Net Assets</u>			
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts Payable	\$ 7,995	\$ 3,126	\$ 11,121
Accrued Interest Payable	0	5,544	5,544
Compensated Absences	33,842	0	33,842
Deferred Revenue	9,383	0	9,383
Current Portion of Non Current Liabilities	0	74,000	74,000
Total Current Liabilities	51,220	82,670	133,890
<u>Non Current Liabilities</u>			
Bonds Payable	0	1,799,000	1,799,000
Less Current Portion of Non Current Liabilities	0	(74,000)	(74,000)
Total Non Current Liabilities	0	1,725,000	1,725,000
Total Liabilities	51,220	1,807,670	1,858,890
<u>Net Assets</u>			
Invested in Capital Assets			
Net of Related Debt	1,795,324	3,157,371	4,952,695
Restricted for Debt Service	0	66,496	66,496
Unrestricted	677,355	584,151	1,261,506
Total Net Assets	2,472,679	3,808,018	6,280,697
TOTAL LIABILITIES AND NET ASSETS	\$ 2,523,899	\$ 5,615,688	\$ 8,139,587

The notes to the financial statements are an integral part of this statement.



CITY OF MANTON  
MANTON, MICHIGAN  
STATEMENT OF ACTIVITIES  
YEAR ENDED NOVEMBER 30, 2008

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Change in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<u>Primary Government</u>							
Governmental Activities							
General Government	\$ 187,848	\$ 0	\$ 0	\$ 0	\$ (187,848)	\$ 0	\$ (187,848)
Public Safety	145,437	41,371	0	0	(104,066)	0	(104,066)
Public Works	350,029	0	106,220	0	(243,809)	0	(243,809)
Economic Development and Assistance	5,858	0	0	0	(5,858)	0	(5,858)
Recreation and Culture	86,998	75,782	0	0	(11,216)	0	(11,216)
Other Functions	154,150	0	0	0	(154,150)	0	(154,150)
Debt Service	1,466	0	0	0	(1,466)	0	(1,466)
Total Governmental Activities	931,786	117,153	106,220	0	(708,413)	0	(708,413)
Business-type Activities							
Water	245,778	204,462	0	2,180	0	(39,136)	(39,136)
Sewer	301,733	207,794	0	0	0	(93,939)	(93,939)
Total Business-type Activities	547,511	412,256	0	2,180	0	(133,075)	(133,075)
Total Primary Government	\$ 1,479,297	\$ 529,409	\$ 106,220	\$ 2,180	(708,413)	(133,075)	(841,488)
<u>GENERAL REVENUES</u>							
Property Taxes					335,078	0	335,078
State Grants					142,427	0	142,427
License and Permits					13,019	0	13,019
Fines and Forfeits					400	0	400
Interest and Rents					129,214	15,224	144,438
Other Revenues					48,515	28,882	77,397
Total General Revenues					668,653	44,106	712,759
Change in Net Assets					(39,760)	(88,969)	(128,729)
<u>NET ASSETS</u> - Beginning of Year					2,512,439	3,896,987	6,409,426
<u>NET ASSETS</u> - End of Year					\$ 2,472,679	\$ 3,808,018	\$ 6,280,697

The notes to the financial statements are an integral part of this statement.

CITY OF MANTON  
MANTON, MICHIGAN

BALANCE SHEET  
GOVERNMENTAL FUNDS

NOVEMBER 30, 2008

	General Fund	Major Streets Fund	Local Streets Fund	Fire Fund	Total Governmental Funds
<u>Assets</u>					
Cash	\$227,164	\$166,267	\$117,476	\$41,041	\$ 551,948
Receivables (Net, Where Applicable of Allowances for Uncollectibles)					
Taxes	46,363	0	6,623	6,623	59,609
Accounts	3,534	0	0	825	4,359
Due from Other Governments	26,308	9,228	4,221	0	39,757
Due from Other Funds	76,094	0	34,069	0	110,163
Prepaid Expenses	11,401	108	108	6,668	18,285
Inventory	0	0	0	2,627	2,627
 TOTAL ASSETS	 \$390,864	 \$175,603	 \$162,497	 \$57,784	 \$ 786,748
<u>Liabilities and Fund Balances</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 7,162	\$ 0	\$ 0	\$ 833	\$ 7,995
Deferred Revenue	9,383	0	0	0	9,383
Due to Other Funds	0	38,514	6,724	12,935	58,173
 Total Liabilities	 16,545	 38,514	 6,724	 13,768	 75,551
<u>Fund Balances</u>					
Reserved for Prepaid Expenses	11,401	108	108	6,668	18,285
Reserved for Inventory	0	0	0	2,627	2,627
Reserved for Pavilion	4,482	0	0	0	4,482
Unreserved, Undesignated	358,436	136,981	155,665	34,721	685,803
 Total Fund Balances	 374,319	 137,089	 155,773	 44,016	 711,197
 TOTAL LIABILITIES AND FUND BALANCES	 \$390,864	 \$175,603	 \$162,497	 \$57,784	 \$ 786,748

The notes to the financial statements are an integral part of this statement.

CITY OF MANTON  
MANTON, MICHIGAN

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET ASSETS

NOVEMBER 30, 2008

Total Governmental Fund Balances	\$ 711,197
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Amounts reported for governmental activities in the  
statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are  
not reported in the funds

The cost of the capital assets is	\$ 4,146,509	
Accumulated depreciation is	<u>(2,351,185)</u>	1,795,324

Long term liabilities are not due and payable in the current period and are not  
reported in the funds

Compensated Absences	<u>(33,842)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 2,472,679</u></u>
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CITY OF MANTON  
MANTON, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

YEAR ENDED NOVEMBER 30, 2008

	General Fund	Major Streets Fund	Local Streets Fund	Fire Fund	Total Governmental Funds
<u>Revenues</u>					
Taxes	\$263,146	\$ 0	\$ 35,966	\$ 35,966	\$ 335,078
Licenses and Permits	13,019	0	0	0	13,019
State Grants	147,328	66,970	34,849	0	249,147
Contributions from Local Units	0	0	0	34,299	34,299
Charges for Services	75,782	0	0	7,072	82,854
Fines and Forfeits	400	0	0	0	400
Interest and Rents	119,488	5,803	2,524	1,399	129,214
Other Revenue	48,015	0	0	0	48,015
Total Revenues	667,178	72,773	73,339	78,736	892,026
<u>Expenditures</u>					
General Government	124,134	0	0	0	124,134
Public Safety	60,560	0	0	50,759	111,319
Public Works	176,090	38,331	62,282	0	276,703
Economic Development and Assistance	5,858	0	0	0	5,858
Recreation and Culture	117,653	0	0	0	117,653
Other Functions	154,150	0	0	0	154,150
Debt Service	0	0	0	52,647	52,647
Total Expenditures	638,445	38,331	62,282	103,406	842,464
Excess (Deficiency) of Revenues Over Expenditures	28,733	34,442	11,057	(24,670)	49,562
<u>Other Financing Sources (Uses)</u>					
Transfers In	0	0	33,485	0	33,485
Transfers Out	0	(33,485)	0	0	(33,485)
Total Other Financing Sources (Uses)	0	(33,485)	33,485	0	0
Net Change in Fund Balances	28,733	957	44,542	(24,670)	49,562
<u>Fund Balances - Beginning of Year</u>	345,586	136,132	111,231	68,686	661,635
<u>Fund Balances - End of Year</u>	<u>\$374,319</u>	<u>\$137,089</u>	<u>\$155,773</u>	<u>\$ 44,016</u>	<u>\$ 711,197</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MANTON  
MANTON, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED NOVEMBER 30, 2008

Net Change in Fund Balances Total Governmental Funds	\$ 49,562
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(178,482)
Capital Outlay	41,121

Repayments of principal on long-term debt are an expenditure in the governmental funds, but not in the statement of activities (where they are a reduction of liabilities)	51,181
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Compensated Absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Compensated Absences - Beginning of Year	30,700
Compensated Absences - End of Year	<u>(33,842)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (39,760)</u></u>
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CITY OF MANTON  
MANTON, MICHIGAN

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

NOVEMBER 30, 2008

	<u>MAJOR FUNDS</u>		
	<u>Water</u> <u>Supply</u>	<u>Sewage</u> <u>Disposal</u>	<u>Totals</u>
<u>Assets</u>			
<u>Current Assets</u>			
Cash	\$ 49,257	\$ 481,310	\$ 530,567
Receivables (Net, Where Applicable, of Allowances for Uncollectibles):			
Accounts	31,793	23,678	55,471
Prepaid Expense	860	2,366	3,226
Inventory	38,394	0	38,394
Total Current Assets	120,304	507,354	627,658
<u>Restricted Assets</u>			
Cash	59,890	6,606	66,496
<u>Capital Assets</u>			
Land	6,576	201,231	207,807
Mains and Connections	917,337	0	917,337
Meters	67,003	0	67,003
Wells, Pumps and Foundations	263,725	0	263,725
Water Tower	49,466	0	49,466
Collection System	0	679,594	679,594
Treatment System	0	3,878,104	3,878,104
Buildings	0	2,733	2,733
Machinery and Equipment	29,938	415,832	445,770
	1,334,045	5,177,494	6,511,539
Less Accumulated Depreciation	(541,327)	(1,013,841)	(1,555,168)
Net Capital Assets	792,718	4,163,653	4,956,371

The notes to the financial statements are an integral part of this statement.

CITY OF MANTON  
MANTON, MICHIGAN

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

NOVEMBER 30, 2008

	<u>MAJOR FUNDS</u>		
	<u>Water</u>	<u>Sewage</u>	
	<u>Supply</u>	<u>Disposal</u>	<u>Totals</u>
<u>Other Non Current Assets</u>			
Bond Issuance Costs	0	19,000	19,000
Accumulated Amortization	0	(1,900)	(1,900)
Net Other Non Current Assets	0	17,100	17,100
Total Non Current Assets	792,718	4,180,753	4,973,471
TOTAL ASSETS	<u>\$ 972,912</u>	<u>\$ 4,694,713</u>	<u>\$ 5,667,625</u>
	<u>Liabilities</u>		
<u>Current Liabilities</u>			
Accounts Payable	\$ 866	\$ 2,260	\$ 3,126
Accrued Interest Payable	2,098	3,446	5,544
Due to Other Funds	27,686	24,251	51,937
Total Current Liabilities	30,650	29,957	60,607
<u>Current Liabilities Payable from Restricted Assets</u>			
Current Portion of Long-Term Liabilities			
Revenue Bonds	9,000	65,000	74,000
<u>Long-Term Liabilities</u>			
Revenue Bonds	521,000	1,204,000	1,725,000
Total Liabilities	560,650	1,298,957	1,859,607
<u>Net Assets</u>			
Invested in Capital Assets,			
Net of Related Debt	262,718	2,894,653	3,157,371
Restricted for Debt Service	59,890	6,606	66,496
Unrestricted	89,654	494,497	584,151
Total Net Assets	<u>\$ 412,262</u>	<u>\$ 3,395,756</u>	<u>\$ 3,808,018</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MANTON  
MANTON, MICHIGAN

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS

NOVEMBER 30, 2008

	<u>Water Supply</u>	<u>Sewage Disposal</u>	<u>Totals</u>
<u>Operating Revenues</u>			
Charges for Services	\$ 204,462	\$ 207,794	\$ 412,256
<u>Operating Expenses</u>			
Personal Services	50,396	40,334	90,730
Employee Benefits	26,950	20,464	47,414
Professional Services	24,223	19,109	43,332
Office Supplies and Expense	2,665	5,587	8,252
Telephone	440	0	440
Insurance	1,656	4,554	6,210
Operating Supplies and Expense	29,934	14,505	44,439
Heat, Light and Power	11,210	22,491	33,701
Depreciation and Amortization	30,325	131,693	162,018
Rentals	42,456	21,574	64,030
Total Operating Expenses	<u>220,255</u>	<u>280,311</u>	<u>500,566</u>
Operating Income (Loss)	<u>(15,793)</u>	<u>(72,517)</u>	<u>(88,310)</u>
<u>Nonoperating Revenues (Expenses)</u>			
Interest Income	4,244	10,980	15,224
Miscellaneous	0	28,882	28,882
Interest Expense	(25,523)	(21,422)	(46,945)
Total Nonoperating Revenues (Expenses)	<u>(21,279)</u>	<u>18,440</u>	<u>(2,839)</u>
Change in Net Assets before Capital Contributions	<u>(37,072)</u>	<u>(54,077)</u>	<u>(91,149)</u>
<u>Capital Contributions</u>			
Community Development Block Grant	<u>2,180</u>	<u>0</u>	<u>2,180</u>
Change in Net Assets	(34,892)	(54,077)	(88,969)
<u>Net Assets - Beginning of Year</u>	<u>447,154</u>	<u>3,449,833</u>	<u>3,896,987</u>
<u>Net Assets - Ending of Year</u>	<u>\$ 412,262</u>	<u>\$3,395,756</u>	<u>\$3,808,018</u>

The notes to the financial statements are an integral part of this statement.



CITY OF MANTON  
MANTON, MICHIGAN

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

NOVEMBER 30, 2008

	<u>Water Supply</u>	<u>Sewage Disposal</u>	<u>Totals</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>			
Cash Flows from Operating Activities			
Cash Received from Customers and Other Revenues	\$ 246,256	\$ 208,769	\$ 455,025
Cash Payments to Suppliers for Goods and Services	(186,641)	(107,856)	(294,497)
Cash Payments to Employees for Services	(36,255)	(40,154)	(76,409)
Net Cash Provided (Used) by Operating Activities	<u>23,360</u>	<u>60,759</u>	<u>84,119</u>
Cash Flows from Noncapital Financing Activities:			
Miscellaneous Income	<u>0</u>	<u>28,882</u>	<u>28,882</u>
Cash Flows from Capital and Related Financing Activities			
Principal Paid on Bonds	(8,000)	(60,000)	(68,000)
Interest Paid on Capital Debt	(25,583)	(21,596)	(47,179)
Capital Contributions	2,180	0	2,180
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(31,403)</u>	<u>(81,596)</u>	<u>(112,999)</u>
Cash Flows from Investing Activities			
Interest Received	<u>4,244</u>	<u>10,980</u>	<u>15,224</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,799)	19,025	15,226
<u>Cash and Cash Equivalents - Beginning of Year</u>	<u>112,946</u>	<u>468,891</u>	<u>581,837</u>
<u>Cash and Cash Equivalents - End of Year</u>	<u>\$ 109,147</u>	<u>\$ 487,916</u>	<u>\$ 597,063</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MANTON  
MANTON, MICHIGAN

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

NOVEMBER 30, 2008

	<u>Water Supply</u>	<u>Sewage Disposal</u>	<u>Totals</u>
Reconciliation of Operating Income to Net Cash			
Provided (Used) by Operating Activities:			
Operating Income (Loss)	<u>\$ (15,793)</u>	<u>\$ (72,517)</u>	<u>\$ (88,310)</u>
Adjustments to Reconcile Operating Income (Loss)			
to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	30,325	131,693	162,018
(Increase) Decrease in Current Assets			
Accounts Receivable	27,414	(3,178)	24,236
Inventory	3,060	0	3,060
Due from Other Funds	11,254	3,972	15,226
Prepaid Expense	66	181	247
Increase (Decrease) in Current Liabilities			
Accounts Payable	(31,601)	887	(30,714)
Due to Other Funds	<u>(1,365)</u>	<u>(279)</u>	<u>(1,644)</u>
 Total Adjustments	<u>39,153</u>	<u>133,276</u>	<u>172,429</u>
 Net Cash Provided (Used) by Operating Activities	<u><u>\$ 23,360</u></u>	<u><u>\$ 60,759</u></u>	<u><u>\$ 84,119</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF MANTON  
MANTON, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

NOVEMBER 30, 2008

	<u>AGENCY</u>
<u>Assets</u>	
Cash	\$ 53
<u>Liabilities</u>	
Due to Other Funds	<u>53</u>
<u>Net Assets</u>	
Total Net Assets	<u><u>\$ 0</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
NOVEMBER 30, 2008

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Manton, Michigan, was incorporated March 24, 1924, and adopted its current charter in 1993. The City is located in Wexford County. The City operates under a Commission-Manager form of government and provides the following services as authorized by its charter: public safety (police protection), highways and streets, sanitation, health, recreation, public improvements, planning and zoning, and general administrative services. In addition, the City operates two major enterprise activities; a water supply system and a sewage collection and treatment system. The City's financial statements include the accounts of all City operations.

The financial statements of the City of Manton, Michigan (government) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. Reporting Entity**

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no associated organizations included in the City's financial statements.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

CITY OF MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
NOVEMBER 30, 2008

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

**1. Basic Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-

CITY OF MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2008

related legal and contractual provisions. The minimum numbers of funds are maintained consistent with legal and managerial requirements.

The City of Manton reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Major Street Fund* is used to account for the financial activity of the streets designated by the State of Michigan as major thoroughfares and for the maintenance contract of the state trunklines.

The *Local Street Fund* receives all local street money paid to the city by the State, accounts for all construction, maintenance, traffic services, and snow and ice control on all streets classified as local.

The *Fire Fund* records financial activity of the fire protection services to its customers.

The City of Manton reports the following major proprietary funds:

The *Water Fund* records financial activity of the water system which provides water to customers.

The *Sewer Fund* records financial activity of the sewage disposal services to its customers.

Additionally the City of Manton reports the following fund types:

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the City holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved.

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2008

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Fund and Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use the restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Equity**

**1. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

Investments - The City's investment policy is in compliance with state law and authorizes the City to invest in passbook savings accounts, negotiable and nonnegotiable certificates of deposit, repurchase agreements backed by the United States government or federal agency obligations, United States Treasury bills and bonds, bankers acceptances, federal agency instruments, money market funds and commercial paper. Investments in commercial paper must be rated in one of the two highest rating categories by Standard and Poor's or Moody's and are limited to fifty percent of a funds portfolio in accordance with state statutes. Investments are stated at fair value which is determined using selected bases. Securities traded on a national exchange are valued at the last reported sales price. Managed funds not listed on an established market are reported at fair value as determined by the respective fund managers based on quoted prices of underlying securities.

**2. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**3. Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1. City taxes, state education taxes, and county taxes are levied July 1, and are due by August 15. School taxes are levied December 1, and are due February 14, of each year. The City bills and collects its own property taxes and also taxes for the county and school districts. Collections of the county and school taxes and remittance of them to the taxing units are accounted for in the Current Tax Collection fund. City

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property tax revenues are recognized when levied to the extent that they result in current receivables. City tax collections are accounted for in the Current Tax Collection Fund.

4. Restricted Assets

The restricted assets of the Enterprise Funds consist of bond and interest redemption, bond reserve and system improvement deposits. These have been set up in keeping with the bond indenture agreements.

5. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Inventories held by the General Fund are not considered material and are not included in these financial statements.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair market value of the item at the date of its donation.



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Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	20-50
Public Domain Infrastructure	20-30
Mains and Connections	20-100
Equipment	10-20
Intangibles	3-5

7. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused sick pay benefits. Sick pay is accrued when incurred in proprietary funds and reported as a fund liability. Sick pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a

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specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

10. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to October, the finance committee submits, to the City Commission, a proposed operating budget for the fiscal year commencing the following December 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to November 30, the budget is legally enacted through passage of a resolution. The budget is adopted on an activity level.
4. All transfers of budget amounts between departments within any fund and any revisions that alter the total expenditures of any fund must be approved by the City Commission. General Fund expenditures may not legally exceed appropriations at the major function level. Expenditures in all other funds may not exceed appropriations at the total fund level.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Commission from time to time throughout the year. The City amended its budget on three occasions during the current fiscal year.
6. Budget appropriations lapse at the end of the fiscal year for all funds.
7. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Manton because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

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NOTES TO FINANCIAL STATEMENTS  
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**B. Funds with expenditures in excess of appropriations were as follows:**

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
General Government	\$ 123,168	\$ 124,134
Economic Development and Assistance	4,750	5,858
Recreation and Culture	79,639	117,653
Other Functions	127,984	154,150
Fire Fund	57,500	103,406

These overages were funded by available fund balance and greater than anticipated revenues.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits**

The City's deposits and investments are all on deposit with Citizens Bank, Manton, Michigan.

*Investment rate risk.* The City will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the City's cash requirement.

*Foreign currency risk.* The City is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The City will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the City's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the City will do business in accordance with the City's investment policy.

*Concentration of credit risk.* The City will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of November 30, 2008, \$231,008 of the government's bank balance of \$1,174,773 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. Category 1 includes investments that

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are insured or registered, or securities held by the City or the City's agent in the City's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the City's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the City's name. The City does not have any investments subject to categorization.

**B. Receivables**

Receivables as of year end for the government's individual major funds, and fiduciary funds in aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General Fund	Major Streets	Local Streets	Fire Department	Water Fund	Sewer Fund	Total
Receivables							
Taxes	\$ 46,363	\$ 0	\$ 6,623	\$ 6,623	\$ 0	\$ 0	\$ 59,609
Accounts	3,534	0	0	825	31,793	23,678	59,830
Due from Other Governments	26,308	9,228	4,221	0	0	0	39,757
Net Receivables	<u>\$ 76,205</u>	<u>\$ 9,228</u>	<u>\$ 10,844</u>	<u>\$ 7,448</u>	<u>\$ 31,793</u>	<u>\$ 23,678</u>	<u>\$ 159,196</u>

By ordinance, the City can place substantially all of its delinquent receivables on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Deferred Revenue	
	Unavailable	Unearned
Charges for Services (General Fund)	\$ 0	\$ 9,383

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**C. Capital Assets**

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 83,758	\$ 0	\$ 0	\$ 83,758
Capital assets, being depreciated				
Buildings	213,910	41,121	0	255,031
Land Improvements	355,633	0	0	355,633
Machinery and Equipment	656,656	0	0	656,656
Vehicles	746,938	0	0	746,938
Office Equipment	28,085	0	0	28,085
Alleyways	104,344	0	0	104,344
Paved Roads	1,860,633	0	0	1,860,633
Unpaved Roads	55,431	0	0	55,431
Total capital assets, being depreciated	4,021,630	41,121	0	4,062,751
Less accumulated depreciation for:				
Buildings	78,001	4,195	0	82,196
Land Improvements	78,092	14,826	0	92,918
Machinery and Equipment	503,924	31,165	0	535,089
Vehicles	370,581	57,316	0	427,897
Office Equipment	8,624	3,967	0	12,591
Alleyways	46,185	3,478	0	49,663
Paved Roads	1,073,308	62,021	0	1,135,329
Unpaved Roads	13,988	1,514	0	15,502
Total accumulated depreciation	2,172,703	178,482	0	2,351,185
Total capital assets, being depreciated, net	1,848,927	(137,361)	0	1,711,566
Governmental activities capital assets, net	\$ 1,932,685	\$ (137,361)	\$ 0	\$ 1,795,324

CITY OF MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

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	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities</u>				
<u>Sewer</u>				
Capital assets, not being depreciated				
Land	\$ 201,231	\$ 0	\$ 0	\$ 201,231
Capital assets, being depreciated				
Buildings	2,733	0	0	2,733
Collection System	679,594	0	0	679,594
Treatment System	3,878,105	0	0	3,878,105
Machinery and Equipment	415,831	0	0	415,831
Total capital assets, Sewer, being depreciated	4,976,263	0	0	4,976,263
Less accumulated depreciation for:				
Buildings	2,733	0	0	2,733
Collection System	406,193	13,592	0	419,785
Treatment System	312,269	77,354	0	389,623
Machinery and Equipment	161,903	39,797	0	201,700
Total accumulated depreciation, Sewer	883,098	130,743	0	1,013,841
Total capital assets, Sewer, being depreciated, net	4,093,165	(130,743)	0	3,962,422
Sewer capital assets, net	4,294,396	(130,743)	0	4,163,653
<u>Water</u>				
Capital assets, not being depreciated				
Land	6,576	0	0	6,576
Capital assets, being depreciated				
Machinery and Equipment	29,938	0	0	29,938
Mains and Connections	917,337	0	0	917,337
Meters	67,003	0	0	67,003
Water Tower	49,466	0	0	49,466
Wells, Pumps and Foundations	263,725	0	0	263,725
Total capital assets, Water, being depreciated	1,327,469	0	0	1,327,469

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	Beginning			Ending
	Balance	Increases	Decreases	Balance
Less accumulated depreciation for:				
Machinery and Equipment	28,271	167	0	28,438
Mains and Connections	263,813	16,371	0	280,184
Meters	50,171	1,900	0	52,071
Water Tower	49,466	0	0	49,466
Wells, Pumps and Foundations	119,281	11,887	0	131,168
Total accumulated depreciation, Water	511,002	30,325	0	541,327
Total capital assets, Water, being depreciated, net	816,467	(30,325)	0	786,142
Water capital assets, net	823,043	(30,325)	0	792,718
 Total capital assets, net, Business-type activities	 \$ 5,117,439	 \$ (161,068)	 \$ 0	 \$ 4,956,371

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Governmental Activities	\$ 60,572
Public Works	73,326
Public Safety	34,118
Recreation and Culture	10,466
Total depreciation expense - governmental activities	<u>\$178,482</u>

Business-type activities

Sewer	\$130,743
Water	30,325
Total depreciation expense - business-type activities	<u>\$161,068</u>

**Construction Commitments**

The City has no construction commitments as of November 30, 2008.

CITY OF MANTON, MICHIGAN

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**D. Interfund Receivables and Payables**

Individual fund interfund receivable and payable balances at November 30, 2008, were:

<u>Fund</u>	<u>INTERFUND RECEIVABLES DUE FROM'S</u>	<u>INTERFUND PAYABLES DUE TO'S</u>
Primary Government Only Due From/To Other Funds:		
General Fund		
Major Streets	\$ 5,029	\$ 0
Local Streets	6,140	0
Sewer	24,251	0
Water	27,686	0
Fire	12,935	0
Current Tax Collection	53	0
Major Streets		
Local Streets	0	33,485
General Fund	0	5,029
Local Streets		
General Fund	584	6,724
Major Streets	33,485	0
Fire		
General Fund	0	12,935
Sewer		
General Fund	0	24,251
Water		
General Fund	0	27,686
Current Tax Collection		
General Fund	0	53
Total Primary Government	<u>\$ 110,163</u>	<u>\$ 110,163</u>

All remaining balances generally resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at November 30, 2008, are expected to be repaid within one year.



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**E. Leases**

The Fire Department is currently leasing a building from the City for \$300 per month. For the fiscal year ending November 30, 2008, the lease expense was \$3,600. There is no formal written agreement for this lease. It is being presented as an operating lease. Future minimum lease payments are as follows:

<u>YEAR ENDED NOVEMBER 30,</u>	<u>AMOUNT</u>
2009	\$ 3,600
2010	3,600
2011	3,600
2012	3,600
2013	3,600
	<u>\$ 18,000</u>

The City entered into an income lease agreement with Noverr Publishing, Inc. dated January 1998 to lease 4,800 square feet of land in which a communications tower was constructed. The lease calls for monthly rent payments of \$350 for five years with an option to extend the lease for four additional five year periods. The City has entered the first extension period and is being paid \$420 monthly. The lease was purchased by American Tower Corporation.

**F. Changes in Long-Term Debt**

The following is a summary of debt transactions of the City of Manton for the year ended November 30, 2008:

Governmental Activities:

	<u>OTHER DEBT</u>
Debt Payable at December 1, 2007	\$ 30,700
Debt Retired	(5,148)
New Debt Issued	<u>8,290</u>
Debt Payable at November 30, 2008	<u>\$ 33,842</u>
Due Within One Year	<u>\$ 5,147</u>

The general fund will generally liquidate vested sick pay for the governmental activities.

CITY OF MANTON, MICHIGAN

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Debt payable at November 30, 2008, is comprised of the following individual issues:

Governmental Activities:

Other Debt

Compensated Absences

Vested sick pay owed to City employees under various contracts and agreements.

\$ 33,843

Total Governmental activities

\$ 33,843

Business-type Activities:

	REVENUE BONDS	OTHER DEBT	TOTAL
Debt Payable at December 1, 2007	\$1,867,000	\$ 51,181	\$1,918,181
Debt Retired	(68,000)	(51,181)	(119,181)
New Debt Issued	0	0	0
Debt Payable at November 30, 2008	<u>\$1,799,000</u>	<u>\$ 0</u>	<u>\$1,799,000</u>
Due Within One Year	<u>\$ 74,000</u>	<u>\$ 0</u>	<u>\$ 74,000</u>

Business-type Activities:

Revenue Bonds

\$600,000 Water Supply System Revenue Bonds, Series 1998, due in annual installments at 4.75% interest.

\$ 530,000

\$1,334,000 Sewer System Revenue Refunding Bonds, Series 2007, due in annual installments at 1.625% interest.

1,269,000

Total Business-type activities

\$1,799,000

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The annual requirements to amortize all debt outstanding for the business-type activities as of November 30, 2008, are as follows:

YEAR ENDING NOVEMBER 30,	Principal	Interest	Total
2009	\$ 74,000	\$ 45,797	\$ 119,797
2010	74,000	44,313	118,313
2011	74,000	42,828	116,828
2012	75,000	41,344	116,344
2013	75,000	39,814	114,814
2014-2018	410,000	174,623	584,623
2019-2023	456,000	129,697	585,697
2024-2028	312,000	80,063	392,063
2029-2033	124,000	47,927	171,927
2034-2038	125,000	15,249	140,249
	<u>\$ 1,799,000</u>	<u>\$ 661,655</u>	<u>\$ 2,460,655</u>

**G. Transfers In (Out)**

The following is a schedule of transfers between funds for the year ending November 30, 2008:

<u>FUND</u>	<u>TRANSFERS</u>	
	<u>IN</u>	<u>OUT</u>
<u>Special Revenue Fund</u>		
Major Streets Fund	\$ 0	\$ 33,485
Local Streets Fund	33,485	0
TOTALS	<u>\$ 33,485</u>	<u>\$ 33,485</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF MANTON, MICHIGAN

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**H. Fund Balance Reserves and Designations**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the City has reserved fund balances/retained earnings in various funds. These reserves are detailed in the following schedule:

GOVERNMENTAL FUNDS

Reserved for Prepaid Expenses	
General Fund	\$ 11,401
Major Streets Fund	108
Local Streets Fund	108
Fire Fund	6,668
Reserved for Inventory	
Fire Fund	2,627
Reserved for Pavilion	
General Fund	4,482
	<u>\$ 25,394</u>

NET ASSETS

Restricted for Debt Service	
Water Fund	\$ 59,890
Sewer Fund	6,606
	<u>\$ 66,496</u>

**IV. OTHER INFORMATION**

**A. Employee Retirement Systems**

Plan Description and Provisions:

The City participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the City. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at:

MERS  
Municipal Employees' Retirement System of Michigan  
1134 Municipal Way  
Lansing, MI 48917

CITY OF MANTON, MICHIGAN

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Funding Policy:

The obligation to contribute to the system for these employees was established by negotiation with the City's collective bargaining units. The plan required a contribution from the employees of 3% of the first \$4,200 of annual wages and 5% of annual wages in excess of \$4,200.

Annual Pension Cost:

For the year ended November 30, 2008, the City's annual pension cost of \$60,288 for MERS was equal to the City's required and actual contributions.

**Three-Year Trend Information for MERS**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
11/30/06	\$ 53,604	100.0%	0
11/30/07	\$ 54,192	100.0%	0
11/30/08	\$ 60,288	100.0%	0

The annual required contribution was determined as part of an actuarial valuation at December 31, 2007, using the entry actual age cost method. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation (c) additional projected salary increases ranging from 0.0% to 8.4% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5% per year annually after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of 30 years.

Funded Status and Funding Progress

As of December 31, 2007, the most recent actuarial valuation date, the place was 45.05% funded. The actuarial accrued liability for benefits was \$1,467,070, and the actuarial value of assets was \$660,919, resulting in an unfunded actuarial accrued liability (UAAL) of \$806,151. The covered payroll (annual payroll of active employees covered by the plan) was \$266,880 and the ratio of the UAAL to covered payroll was 302%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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**B. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees' and natural disasters. The City participates in two distinct pools of municipalities within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The City pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The City has not been informed of any special assessments being required for the current or prior three years.

The City continued to carry commercial insurance for other risks of loss, including employee health and accident insurance.

**C. Contingent Liabilities**

Currently, the City has several cases being brought to the Michigan Tax Tribunal for reduction of assessed values due to proposed changes in the calculations of valuations on assets of certain taxpayers. If successful in their petition for reduced taxable values, the City's tax revenues may be reduced; the amount of potential reduction is not known.

**D. Interest Income**

Interest income in the City's major governmental funds at November 30, 2008, was:

General Fund	\$ 6,904
Major Street Fund	5,803
Local Street Fund	2,524
Fire Fund	<u>1,399</u>
	<u>\$ 16,630</u>

**E. Sale of Future Revenues**

For several years, the City has sold its rights to delinquent real property tax revenues, delinquent special assessments and related late payment penalties to the Wexford County treasurer. For the 2007 tax roll, the City received a lump sum payment of \$31,958 for general operating tax revenues, \$4,355 for local street tax revenues, \$4,355 for fire protection tax revenues, \$2,235 for delinquent water revenues, and \$1,479 for delinquent sewer revenues. These amounts represent 100% of the present value of the delinquent real property tax revenues. In exchange for these payments, the county is allowed to keep the delinquent taxes collected plus the late payment penalties charged. If the county is ultimately unable to collect any of these delinquent taxes, the City will have to repay the county.

CITY OF MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
NOVEMBER 30, 2008

**F. Restatement of Beginning Net Assets**

Beginning net assets of the governmental and business-type activities were restated on the Statement of Activities due to the Fire Fund being reclassified from business-type activities to governmental activities. Also, beginning net assets of the governmental activities were restated on the Statement of Activities to correct for revenue that had not been deferred in prior years. As a result of these restatements, beginning net assets of governmental activities increased by a net amount of \$217,396 and the beginning net assets of the business-type activities decreased by \$228,622 on the Statement of Activities.

CITY OF MANTON  
MANTON, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED NOVEMBER 30, 2008

	GENERAL FUND			MAJOR STREET FUND			LOCAL STREET FUND			FIRE FUND		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<u>Revenues</u>												
Taxes	\$ 288,062	\$ 288,062	\$ 263,146	\$ 0	\$ 0	\$ 0	\$ 37,583	\$ 37,583	\$ 35,966	\$ 35,000	\$ 35,000	\$ 35,966
Licenses and Permits	10,850	10,850	13,019	0	0	0	0	0	0	0	0	0
State Grants	152,546	152,546	147,328	69,000	69,555	66,970	33,100	33,100	34,849	0	0	0
Contributions from Local Units	0	0	0		0	0	0	0	0	32,000	32,000	34,299
Charges for Services	73,000	73,000	75,782	0	0	0	0	0	0	5,000	5,000	7,072
Fines and Forfeits	350	350	400	0	0	0	0	0	0	0	0	0
Interest and Rents	65,640	65,640	119,488	1,500	800	5,803	400	400	2,524	500	500	1,399
Other Revenue	1,500	1,500	48,015	0	0	0	0	0	0	0	0	0
Total Revenues	591,948	591,948	667,178	70,500	70,355	72,773	71,083	71,083	73,339	72,500	72,500	78,736
<u>Expenditures</u>												
General Government	123,708	123,168	124,134	0	0	0	0	0	0	0	0	0
Public Safety	65,018	65,219	60,560	0	0	0	0	0	0	51,150	55,140	50,759
Public Works	185,253	187,912	176,090	70,500	53,605	38,331	85,034	88,430	62,282	0	0	0
Economic Development and Assistance	4,650	4,750	5,858	0	0	0	0	0	0	0	0	0
Recreation and Culture	74,583	79,639	117,653	0	0	0	0	0	0	0	0	0
Other Functions	126,294	127,984	154,150	0	0	0	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0	0	0	2,000	2,000	52,647
Contingency	14,442	5,013	0	0	0	0	3,396	0	0	3,300	360	0
Total Expenditures	593,948	593,685	638,445	70,500	53,605	38,331	88,430	88,430	62,282	56,450	57,500	103,406
Excess (Deficiency) of Revenues Over Expenditures	(2,000)	(1,737)	28,733	0	16,750	34,442	(17,347)	(17,347)	11,057	16,050	15,000	(24,670)
<u>Other Financing Sources (Uses)</u>												
Transfers In	0	0	0	0	0	0	17,347	17,347	33,485	0	0	0
Transfers Out	0	0	0	0	(15,914)	(33,485)	0	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	(15,914)	(33,485)	17,347	17,347	33,485	0	0	0
Net Change in Fund Balance	(2,000)	(1,737)	28,733	0	836	957	0	0	44,542	16,050	15,000	(24,670)
<u>Fund Balance - Beginning of Year</u>	345,586	345,586	345,586	136,132	136,132	136,132	111,231	111,231	111,231	68,686	68,686	68,686
<u>Fund Balance - End of Year</u>	\$ 343,586	\$ 343,849	\$ 374,319	\$ 136,132	\$ 136,968	\$ 137,089	\$ 111,231	\$ 111,231	\$ 155,773	\$ 84,736	\$ 83,686	\$ 44,016



CITY OF MANTON  
MANTON, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS FOR MERS

YEAR ENDED NOVEMBER 30, 2008

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarially Accrued Liability (AAL) - Entry Age ( b )	Unfunded (Overfunded) AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/05	\$ 629,542	\$ 1,371,388	\$ 741,846	45.91%	\$ 232,925	318%
12/31/06	\$ 639,912	\$ 1,366,331	\$ 726,419	46.83%	\$ 244,579	297%
12/31/07	\$ 660,919	\$ 1,467,070	\$ 806,151	45.05%	\$ 266,880	302%

CITY OF MANTON, MICHIGAN  
GENERAL FUND  
COMPARATIVE BALANCE SHEET  
NOVEMBER 30,

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash	\$ 227,164	\$ 225,045
Receivables		
Taxes	46,363	40,739
Accounts	3,534	3,709
Due from Other Governmental Units	26,308	25,005
Due from Other Funds		
Major Street	5,029	5,428
Local Street	6,140	6,958
Water Supply System	27,686	29,051
Sewage Disposal System	24,251	24,530
Fire Fund	12,935	21,918
Current Tax Collection	53	53
Prepaid Expense	11,401	12,274
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 390,864</u>	<u>\$ 394,710</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 7,162	\$ 7,537
Deferred Revenue	9,383	0
Due to Other Funds		
Major Street	0	6,432
Local Street	0	7,444
Water Supply System	0	11,254
Sewage Disposal System	0	3,972
Fire Fund	0	1,260
	<hr/>	<hr/>
Total Liabilities	16,545	37,899
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Reserved for Prepaid Expenses	11,401	12,274
Reserved for Pavilion	4,482	0
Unreserved, Undesignated	358,436	344,537
	<hr/>	<hr/>
Total Fund Balance	374,319	356,811
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 390,864</u>	<u>\$ 394,710</u>

CITY OF MANTON, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED NOVEMBER 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2007

		ACTUAL	
	BUDGET	2008	2007
<u>REVENUES</u>			
Taxes	\$ 288,062	\$ 263,146	\$ 277,144
Licenses and Permits	10,850	13,019	16,000
State Grants	152,546	147,328	305,496
Charges for Services	73,000	75,782	80,669
Fines and Forfeits	350	400	258
Interest and Rents	65,640	119,488	97,189
Other Revenue	1,500	48,015	11,041
Total Revenues	591,948	667,178	787,797
<u>EXPENDITURES</u>			
General Government			
Legislative	3,450	3,909	2,839
Elections	3,195	2,615	1,438
Independent Audit	8,825	7,550	7,700
Assessor	8,000	6,928	6,919
Legal	12,000	18,753	37,100
Clerk	43,328	41,972	37,212
Board of Review	650	423	3,149
Treasurer	20,780	20,619	18,388
City Hall and Grounds	17,606	16,232	11,314
Cemetery	5,334	5,133	4,816
Total General Government	123,168	124,134	130,875
Public Safety			
Police Department	49,519	48,660	55,357
Ordinance Enforcement	7,000	6,326	6,590
Building Inspector	8,700	5,574	11,598

CITY OF MANTON, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED NOVEMBER 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2007

		ACTUAL	
	BUDGET	2008	2007
Public Works			
Stores and Garage	164,912	154,936	346,326
Street Lighting	23,000	21,154	20,021
Economic Development and Assistance	4,750	5,858	12,468
Sanitation	0	0	24
Recreation	64,081	102,495	70,276
Culture	15,558	15,158	7,400
Other Functions			
Insurance and Bonds	25,800	21,940	24,129
Community Promotion	1,690	1,690	1,690
Employee Benefits	100,494	130,520	132,101
Contingency	5,013	0	0
Total Expenditures	593,685	638,445	818,855
Excess (Deficiency) of Revenues Over Expenditures	(1,737)	28,733	(31,058)
<u>OTHER FINANCING SOURCES (USES)</u>			
Insurance Recoveries	0	0	5,660
Net Change in Fund Balance	(1,737)	28,733	(25,398)
<u>FUND BALANCE</u> - Beginning of Year	356,811	345,586	382,209
<u>FUND BALANCE</u> - End of Year	\$ 355,074	\$ 374,319	\$ 356,811

CITY OF MANTON, MICHIGAN

GENERAL FUND  
ANALYSIS OF REVENUES  
BUDGET AND ACTUAL

YEAR ENDED NOVEMBER 30, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2007

		<u>ACTUAL</u>	
	<u>BUDGET</u>	<u>2008</u>	<u>2007</u>
<u>TAXES</u>			
Current Tax Levy	\$ 258,062	\$ 241,827	\$ 258,384
Industrial Facilities Tax Levy	16,000	5,370	2,724
Payments in Lieu of Taxes	0	4,832	4,544
Property Tax Administrative Fees - Summer	8,000	6,175	8,920
Property Tax Administrative Fees - Winter	6,000	4,942	2,572
Total Taxes	<u>288,062</u>	<u>263,146</u>	<u>277,144</u>
<u>LICENSES AND PERMITS</u>			
Payment in Lieu of Taxes			
Franchise Fee - Cable TV	9,200	11,060	8,831
Business Licenses	150	105	220
Nonbusiness Licenses and Permits			
Building Permits	1,500	1,079	2,165
Rental Unit Permits/Zoning Fees	0	775	4,784
Total Licenses and Permits	<u>10,850</u>	<u>13,019</u>	<u>16,000</u>
<u>STATE GRANTS</u>			
State Shared Revenues			
Sales and Use Tax	146,706	141,232	139,291
Telecommunications Right of Way Maintenance	4,400	4,401	4,348
Liquor Licenses	1,190	1,195	1,190
Police Training	250	500	500
MDOT Streetscape Grant	0	0	160,167
Total State Grants	<u>152,546</u>	<u>147,328</u>	<u>305,496</u>
<u>CHARGES FOR SERVICES</u>			
Use and Admission Fees - City Park	<u>73,000</u>	<u>75,782</u>	<u>80,669</u>
<u>FINES AND FORFEITS</u>			
Ordinance Fines	<u>350</u>	<u>400</u>	<u>258</u>

CITY OF MANTON, MICHIGAN

GENERAL FUND  
ANALYSIS OF REVENUES  
BUDGET AND ACTUAL

YEAR ENDED NOVEMBER 30, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2007

		<u>ACTUAL</u>	
	<u>BUDGET</u>	<u>2008</u>	<u>2007</u>
<u>INTEREST AND RENTS</u>			
Interest Income	4,000	6,904	4,964
Building Rental	3,600	3,600	3,600
Equipment Rental	53,000	103,095	84,005
Site Lease	5,040	5,889	4,620
Total Interest and Rents	65,640	119,488	97,189
<u>OTHER REVENUE</u>			
Donations	0	45,603	500
Reimbursements	0	780	780
Police Income	0	40	5
Refunds and Rebates	0	121	1,114
Sale of Fixed Assets	0	0	6,751
Other Income	1,500	1,471	1,891
Total Other Revenue	1,500	48,015	11,041
TOTAL GENERAL FUND REVENUE	\$ 591,948	\$ 667,178	\$ 787,797

CITY OF MANTON, MICHIGAN

GENERAL FUND  
ANALYSIS OF EXPENDITURES  
BUDGET AND ACTUAL

YEAR ENDED NOVEMBER 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2007

		<u>ACTUAL</u>	
	<u>BUDGET</u>	<u>2008</u>	<u>2007</u>
<u>GENERAL GOVERNMENT</u>			
Legislative			
Miscellaneous			
Mayor and Commissioners	\$ 550	\$ 240	\$ 110
Memberships and Dues	1,500	1,278	1,295
Web Page	400	2,291	400
Miscellaneous	1,000	100	1,034
	<u>3,450</u>	<u>3,909</u>	<u>2,839</u>
Elections			
Salaries and Wages	1,430	1,430	514
Office Supplies	1,240	700	634
Transportation	150	110	42
Printing and Publishing	375	375	248
	<u>3,195</u>	<u>2,615</u>	<u>1,438</u>
Independent Audit			
Audit Fees	7,700	6,425	6,610
Capital Asset Accounting	1,125	1,125	1,090
	<u>8,825</u>	<u>7,550</u>	<u>7,700</u>
Assessor			
County Assessment Fees	8,000	6,928	6,919
Legal			
Attorney Fees	<u>12,000</u>	<u>18,753</u>	<u>37,100</u>
Clerk			
Salaries and Wages			
Elected Official	36,858	36,941	34,772
Meetings	1,000	959	869
Office Supplies	600	482	558
Printing and Publishing	2,420	2,050	653
Transportation	1,200	803	348
Education and Training	1,000	391	12
Miscellaneous	250	346	0
	<u>43,328</u>	<u>41,972</u>	<u>37,212</u>

CITY OF MANTON, MICHIGAN

GENERAL FUND  
ANALYSIS OF EXPENDITURES  
BUDGET AND ACTUAL

YEAR ENDED NOVEMBER 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2007

	BUDGET	ACTUAL	
		2008	2007
Board of Review			
Salaries and Wages	500	391	353
Printing and Publishing	100	32	321
Taxes Abated and Written Off	0	0	2,475
Miscellaneous	50	0	0
	<u>650</u>	<u>423</u>	<u>3,149</u>
Treasurer			
Salaries and Wages			
Elected Official	15,070	15,070	14,172
Office Supplies	2,177	2,177	1,253
Transportation	100	0	28
Education and Training	500	0	0
Assessment Postage and Expense	2,883	3,018	2,668
Bank Service Charge	50	354	267
	<u>20,780</u>	<u>20,619</u>	<u>18,388</u>
City Hall and Grounds			
Salaries and Wages	500	137	433
Office Supplies	3,584	3,659	2,804
Building Maintenance	1,570	1,339	658
Equipment Repair	1,000	976	240
Contracted Services	1,000	442	627
Telephone	2,616	2,616	2,409
Computer Software Maintenance	1,996	1,996	1,661
Public Utilities			
Electricity	1,000	1,500	1,282
Heat	1,000	794	816
Water and Sewer	340	378	384
Capital Outlay			
Equipment Replacement	3,000	2,395	0
	<u>17,606</u>	<u>16,232</u>	<u>11,314</u>
Cemetery			
Aid to Other Government	5,334	5,133	4,816
Total General Government	<u>123,168</u>	<u>124,134</u>	<u>130,875</u>



CITY OF MANTON, MICHIGAN

GENERAL FUND  
ANALYSIS OF EXPENDITURES  
BUDGET AND ACTUAL

YEAR ENDED NOVEMBER 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	
		<u>2008</u>	<u>2007</u>
<u>PUBLIC SAFETY</u>			
Police Department			
Salaries and Wages			
Chief	37,256	37,253	36,171
Part-time	1,183	1,183	819
Operating Supplies	817	814	254
Gasoline Expense	3,172	2,708	2,164
Office Maintenance	201	201	534
Materials and Supplies	1,483	1,283	2,203
Telephone	1,715	1,623	1,531
Lien Filing Expense	97	0	512
Computer Software Maintenance	525	525	525
Patrol Car Expense	1,469	1,469	9,208
Education and Training	855	855	1,012
Equipment Replacement	662	662	424
Miscellaneous	84	84	0
	<u>49,519</u>	<u>48,660</u>	<u>55,357</u>
Ordinance Enforcement			
Salaries and Wages	5,350	5,337	5,715
Operating Supplies	500	183	105
Vehicle Expense	1,150	806	770
	<u>7,000</u>	<u>6,326</u>	<u>6,590</u>
Building Inspector			
Salaries and Wages	1,550	530	6,058
Operating Supplies	700	626	271
Education and Training	500	400	16
Enforcement Expense	5,950	4,018	5,253
	<u>8,700</u>	<u>5,574</u>	<u>11,598</u>
Total Public Safety	<u>65,219</u>	<u>60,560</u>	<u>73,545</u>

CITY OF MANTON, MICHIGAN

GENERAL FUND  
ANALYSIS OF EXPENDITURES  
BUDGET AND ACTUAL

YEAR ENDED NOVEMBER 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	
		<u>2008</u>	<u>2007</u>
<u>DEPARTMENT OF PUBLIC WORKS</u>			
Stores and Garage			
Salaries and Wages			
City Superintendent	17,908	17,909	17,389
Public Works	51,500	44,491	48,495
Part-time Pugsley Labor	4,559	4,559	2,766
Sick Time Payoff	0	0	9,595
Operating Supplies			
Gasoline and Motor Oil	19,300	19,628	10,643
Supplies	11,500	10,689	13,121
Safety Equipment	750	719	2,806
Tools	2,100	2,360	1,024
Telephone	4,000	3,787	3,605
Repair and Maintenance	2,250	2,204	977
Equipment Repairs	21,000	20,828	16,734
Contracted Services	13,000	12,340	26,134
Public Utilities			
Electric	7,000	5,447	5,489
Heat	7,000	7,521	6,542
Water and Sewer	345	346	345
Miss Dig	500	199	0
Miscellaneous	500	218	71
Small Equipment Replacement	1,700	1,691	530
Large Equipment Replacement	0	0	19,893
Capital Outlay	0	0	160,167
	<u>164,912</u>	<u>154,936</u>	<u>346,326</u>
Street Lighting			
Public Utilities	<u>23,000</u>	<u>21,154</u>	<u>20,021</u>
Total Department of Public Works	<u>187,912</u>	<u>176,090</u>	<u>366,347</u>

CITY OF MANTON, MICHIGAN

GENERAL FUND  
ANALYSIS OF EXPENDITURES  
BUDGET AND ACTUAL

YEAR ENDED NOVEMBER 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2007

		ACTUAL	
	BUDGET	2008	2007
<u>ECONOMIC DEVELOPMENT AND ASSISTANCE</u>			
City Planning Board			
Postage	100	9	106
Contracted Services	4,200	5,534	12,375
Printing and Publishing	200	315	48
Miscellaneous	250	0	(61)
Total Economic Development and Assistance	4,750	5,858	12,468
<u>SANITATION</u>			
Sanitary Landfill (Dump)			
Landfill	0	0	24
<u>RECREATION</u>			
Railroad and Rotary Parks			
Salaries and Wages	2,000	1,051	2,456
Operating Supplies	3,000	2,382	4,269
Public Utilities			
Park Operation	2,000	2,852	3,435
Millpond Pathway	0	1,198	1,360
Miscellaneous Expense	1,798	135	616
Capital Outlay	1,559	41,121	0
Total Railroad and Rotary Parks	10,357	48,739	12,136
Trailer Park			
Salaries and Wages			
Manager	10,129	10,129	9,078
Employees	0	0	911
Part-Time	2,369	2,256	2,443
Operating Supplies	6,181	6,181	7,925
Repair and Maintenance Supplies	3,000	2,843	5,735
Contracted Services	1,212	1,212	0
Memberships and Dues	518	518	150
Telephone	883	677	865

CITY OF MANTON, MICHIGAN

GENERAL FUND  
ANALYSIS OF EXPENDITURES  
BUDGET AND ACTUAL

YEAR ENDED NOVEMBER 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2007

		<u>ACTUAL</u>	
	<u>BUDGET</u>	<u>2008</u>	<u>2007</u>
Public Utilities			
Electric	14,200	14,156	12,955
Heat	2,500	2,422	1,871
Water and Sewer			
Park Operation	3,791	3,791	3,766
Gas Cylinder - Park Manager	150	150	150
Gas & Oil - Park Manager	270	270	270
Gas & Oil - Park Operation	0	436	332
Miscellaneous	287	281	260
Park Improvement	4,561	4,561	7,608
Sidewalk Replacement	0	200	453
Capital Outlay	3,673	3,673	2,868
Total Trailer Park	53,724	53,756	57,640
Special Events			
Harvest Festival Committee	0	0	500
Total Recreation	64,081	102,495	70,276
<u>CULTURE</u>			
Manton Library	5,000	5,000	5,000
Library Lot	7,858	7,858	0
Museum			
Other	2,000	2,000	2,000
Children's Events	400	0	0
Chamber of Commerce	300	300	400
Total Culture	15,558	15,158	7,400
Total Recreation and Culture	79,639	117,653	77,676

CITY OF MANTON, MICHIGAN

GENERAL FUND  
ANALYSIS OF EXPENDITURES  
BUDGET AND ACTUAL

YEAR ENDED NOVEMBER 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	
		<u>2008</u>	<u>2007</u>
<u>OTHER FUNCTIONS</u>			
Insurance and Bonds			
Fleet Insurance	<u>25,800</u>	<u>21,940</u>	<u>24,129</u>
Community Promotion			
Christmas Decorations - Operating Expense	<u>1,690</u>	<u>1,690</u>	<u>1,690</u>
Employee Benefits			
Social Security Contributions	14,900	14,314	17,571
Workmen's Compensation Insurance	1,500	1,356	3,395
Hospitalization Insurance	47,594	54,190	72,917
HRA Expense	0	6,767	0
Michigan Employment Security Commission	1,500	412	426
M.E.R.S. Employer Contribution	<u>35,000</u>	<u>53,481</u>	<u>37,792</u>
	<u>100,494</u>	<u>130,520</u>	<u>132,101</u>
Contingency	<u>5,013</u>	<u>0</u>	<u>0</u>
Total Other Functions	<u>132,997</u>	<u>154,150</u>	<u>157,920</u>
TOTAL EXPENDITURES	<u>\$ 593,685</u>	<u>\$ 638,445</u>	<u>\$ 818,855</u>

CITY OF MANTON, MICHIGAN

MAJOR STREET FUND

COMPARATIVE BALANCE SHEET

NOVEMBER 30,

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash	\$ 166,267	\$ 142,144
Due from Other Funds		
General Fund	0	6,432
Due from Other Governments	9,228	9,419
Prepaid Expenses	108	116
TOTAL ASSETS	<u>\$ 175,603</u>	<u>\$ 158,111</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Other Funds		
General Fund	\$ 5,029	\$ 5,428
Local Street Fund	33,485	16,551
TOTAL LIABILITIES	<u>38,514</u>	<u>21,979</u>
<u>FUND BALANCE</u>		
Reserved for Prepaid Expenses	108	116
Unreserved, Undesignated	136,981	136,016
Total Fund Balance	<u>137,089</u>	<u>136,132</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 175,603</u>	<u>\$ 158,111</u>

CITY OF MANTON, MICHIGAN

MAJOR STREET FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED NOVEMBER 30, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2007

		<u>ACTUAL</u>	
	<u>BUDGET</u>	<u>2008</u>	<u>2007</u>
<u>REVENUES</u>			
State Grants			
Motor Vehicle Highway Fund - Act 51	\$ 69,555	\$ 66,970	\$ 66,206
Interest and Rents			
Interest Income	800	5,803	5,390
Total Revenues	70,355	72,773	71,596
<u>EXPENDITURES</u>			
Highways, Streets and Bridges			
Administration			
Audit Fees	1,000	825	800
Administration and Accounting	3,000	2,359	2,713
Insurance and Bonding	206	207	228
Printing and Publishing	55	0	0
Contracted Services	3,811	957	0
Taxes Abated and Written Off	0	0	133
Miscellaneous	51	5	0
Contingency	5,948	0	0
Construction			
Street Improvement	0	2,400	26,393
Routine Maintenance			
Salaries and Wages	4,177	663	1,928
Employee Benefits	2,781	589	1,525
Contracted Services	0	0	468
Sand, Gravel, Asphalt and Brine	2,227	2,246	2,103
Repairs and Maintenance	0	2,862	0
Equipment Rental	2,000	1,533	3,335
Snow and Ice Control			
Salaries and Wages	6,365	4,681	4,443
Employee Benefits	0	4,240	3,559
Sand and Salt	7,450	1,347	874
Signs and Markers	1,273	0	0
Equipment Rental	13,261	13,417	13,708
Total Expenditures	53,605	38,331	62,210

CITY OF MANTON, MICHIGAN

MAJOR STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED NOVEMBER 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2007

	BUDGET	ACTUAL	
		2008	2007
Excess (Deficiency) of Revenues Over Expenditures	16,750	34,442	9,386
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out - Local Street Fund	(15,914)	(33,485)	(16,551)
Net Change in Fund Balance	836	957	(7,165)
<u>FUND BALANCE</u> - Beginning of Year	136,132	136,132	143,297
<u>FUND BALANCE</u> - End of Year	<u>\$ 136,968</u>	<u>\$ 137,089</u>	<u>\$ 136,132</u>



CITY OF MANTON, MICHIGAN

LOCAL STREET FUND

COMPARATIVE BALANCE SHEET

NOVEMBER 30,

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash	\$ 117,476	\$ 83,891
Taxes Receivable	6,623	5,819
Due from Other Governments	4,221	4,368
Due from Other Funds		
General Fund	584	7,444
Major Street Fund	33,485	16,551
Prepaid Expense	108	116
	<hr/>	<hr/>
TOTAL ASSETS	\$ 162,497	\$ 118,189
	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Other Funds		
General Fund	\$ 6,724	\$ 6,958
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Reserved for Prepaid Expenses	108	116
Unreserved, Undesignated	155,665	111,115
	<hr/>	<hr/>
Total Fund Balance	155,773	111,231
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 162,497	\$ 118,189
	<hr/> <hr/>	<hr/> <hr/>

CITY OF MANTON, MICHIGAN

LOCAL STREET FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED NOVEMBER 30, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2007

		ACTUAL	
	BUDGET	2008	2007
<u>REVENUES</u>			
Taxes			
Current Tax Levy	\$ 35,937	\$ 34,534	\$ 36,910
Industrial Facilities Tax Levy	376	742	389
Payments In Lieu of Tax Levy	1,270	690	641
State Grants			
Motor Vehicle Highway Fund - Act 51	33,100	34,849	32,332
Interest and Rents			
Interest Income	400	2,524	2,337
Total Revenues	71,083	73,339	72,609
<u>EXPENDITURES</u>			
Highways, Streets and Bridges			
Administration			
Audit Fees	1,000	825	800
Administration and Accounting	2,500	2,359	2,727
Employee Benefits	2,700	0	0
Insurance and Bonding	515	207	228
Printing and Publishing	51	0	0
Taxes Abated and Written Off	0	0	211
Construction			
Contracted Services	9,000	824	2,695
Street Repairs and Maintenance	26,796	12,839	896
Paving	3,288	3,288	43,196
Salaries and Wages	6,000	2,049	2,445
Employee Benefits	0	1,662	1,869
Equipment Rental	4,200	5,833	3,737
Miscellaneous	200	0	262
Snow and Ice Control			
Salaries and Wages	6,180	5,996	5,520
Employee Benefits	0	4,864	4,161
Materials	4,000	2,255	2,084
Sand and Salt	4,000	907	875

CITY OF MANTON, MICHIGAN

LOCAL STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED NOVEMBER 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2007

		<u>ACTUAL</u>	
	<u>BUDGET</u>	<u>2008</u>	<u>2007</u>
Equipment Rental	17,000	18,282	16,888
Signs and Markers	1,000	92	0
Total Expenditures	88,430	62,282	88,594
Excess (Deficiency) of Revenues Over Expenditures	(17,347)	11,057	(15,985)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In			
Major Street Fund	17,347	33,485	16,551
Net Change in Fund Balance	0	44,542	566
<u>FUND BALANCE</u> - Beginning of Year	111,231	111,231	110,665
<u>FUND BALANCE</u> - End of Year	<u>\$ 111,231</u>	<u>\$ 155,773</u>	<u>\$ 111,231</u>

CITY OF MANTON, MICHIGAN

FIRE FUND

COMPARATIVE BALANCE SHEET

NOVEMBER 30,

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash	\$ 41,041	\$ 73,320
Receivables		
Taxes	6,623	5,819
Accounts Receivable	825	1,096
Due from Other Funds		
General Fund	0	1,260
Prepaid Expenses	6,668	7,179
Inventory	2,627	2,047
	<hr/>	<hr/>
TOTAL ASSETS	\$ 57,784	\$ 90,721
	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 833	\$ 117
Due to Other Funds		
General Fund	12,935	21,918
	<hr/>	<hr/>
TOTAL LIABILITIES	13,768	22,035
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Reserved for Prepaid Expenses	6,668	7,179
Reserved for Inventory	2,627	2,047
Unreserved, Undesignated	34,721	59,460
	<hr/>	<hr/>
Total Fund Balance	44,016	68,686
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 57,784	\$ 90,721
	<hr/>	<hr/>

CITY OF MANTON, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED NOVEMBER 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2007

		<u>ACTUAL</u>	
	<u>BUDGET</u>	<u>2008</u>	<u>2007</u>
<u>REVENUES</u>			
Taxes			
Current Tax Levy	\$ 35,000	\$ 34,534	\$ 36,910
Industrial Facilities Tax Levy	0	742	390
Payments In Lieu of Tax Levy	0	690	641
Contributions from Local Units			
Township Base Contract Fees	32,000	34,299	23,895
Charges for Services			
Fire Runs	5,000	7,072	381
Interest and Rents			
Interest Income	500	1,399	3,358
Miscellaneous			
Miscellaneous Income	0	0	22,000
Total Revenues	72,500	78,736	87,575
<u>EXPENDITURES</u>			
Public Safety			
Administration			
Salaries and Wages	450	0	0
Employee Fringe Benefits	100	0	626
Independent Audit	1,300	1,300	1,275
Administration and Accounting	200	180	449
Taxes Abated and Written Off	0	0	344
Workers' Compensation	500	613	0
Fire Department			
Volunteers	6,557	6,557	3,648
Chief	2,400	2,400	2,400
Secretary/Treasurer	500	500	500
Assistant Chief	1,200	1,200	1,200
Medical	500	0	0

CITY OF MANTON, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED NOVEMBER 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2007

	BUDGET	ACTUAL	
		2008	2007
Disability and Life Insurance	2,300	2,216	2,216
Operating Supplies	3,600	911	3,041
Gasoline and Motor Oil	1,730	1,624	940
Communications			
Telephone	634	624	218
Radio and Alarm Expense	2,000	1,681	0
Fleet, Fire and Liability Insurance	10,600	12,833	14,113
Building Rental	3,600	3,600	3,600
Equipment Rental	100	0	0
Equipment Repairs	6,619	7,452	6,855
Contracted Services	3,000	1,614	0
Education and Training	1,000	0	430
Turn Out Gear	6,000	5,454	0
Capital Outlay	0	0	49,535
Miscellaneous	250	0	312
Debt Service			
Principal	0	51,181	9,859
Interest Expense	2,000	1,466	2,044
Contingencies	360	0	0
Total Expenditures	57,500	103,406	103,605
Excess (Deficiency) of Revenues Over Expenditures	15,000	(24,670)	(16,030)
<u>FUND BALANCE</u> - Beginning of Year	68,686	68,686	84,716
<u>FUND BALANCE</u> - End of Year	\$ 83,686	\$ 44,016	\$ 68,686

CITY OF MANTON, MICHIGAN

WATER SUPPLY SYSTEM  
COMPARATIVE STATEMENT OF NET ASSETS

NOVEMBER 30,

	2008	2007
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 49,257	\$ 63,927
Receivables		
Customer Charges	31,793	28,325
Other	0	30,882
Due from Other Funds		
General Fund	0	11,254
Prepaid Expense	860	926
Inventory	38,394	41,454
Total Current Assets	120,304	176,768
<u>RESTRICTED ASSETS</u>		
Cash		
Bond Reserve Account	40,837	37,605
Bond Improvement and Repair Account	7,061	0
Bond Redemption	798	798
Bond Replacement Account	11,194	10,616
Total Restricted Assets	59,890	49,019
<u>CAPITAL ASSETS</u>		
Land	6,576	6,576
Mains and Connections	917,337	917,337
Meters	67,003	67,003
Wells, Pumps and Foundations	263,725	263,725
Water Tower	49,466	49,466
Machinery and Equipment	29,938	29,938
Accumulated Depreciation	(541,327)	(511,002)
Net Capital Assets	792,718	823,043
TOTAL ASSETS	\$ 972,912	\$ 1,048,830

CITY OF MANTON, MICHIGAN

WATER SUPPLY SYSTEM  
COMPARATIVE STATEMENT OF NET ASSETS

NOVEMBER 30,

	2008	2007
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 866	\$ 32,467
Accrued Interest Payable	2,098	2,158
Due to General Fund	27,686	29,051
Total Current Liabilities	30,650	63,676
<u>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</u>		
Current Portion of Revenue Bonds	9,000	8,000
<u>LONG-TERM LIABILITIES</u>		
1998 Revenue Bonds Payable	521,000	530,000
TOTAL LIABILITIES	560,650	601,676
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	262,718	285,043
Restricted for Debt Service	59,890	49,019
Unrestricted	89,654	113,092
TOTAL NET ASSETS	\$ 412,262	\$ 447,154



CITY OF MANTON, MICHIGAN

WATER SUPPLY SYSTEM  
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND NET ASSETS  
BUDGET AND ACTUAL

YEAR ENDED NOVEMBER 30, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR-ENDED NOVEMBER 30, 2007

	<u>BUDGET</u>	<u>2008</u>	<u>2007</u>
<u>OPERATING REVENUES</u>			
Charges for Services			
Service Billing	\$ 218,760	\$ 200,132	\$ 206,289
Connections	1,200	3,841	0
Well Permit Fee	0	100	0
Miscellaneous	0	389	120
Total Operating Revenues	219,960	204,462	206,409
<u>OPERATING EXPENSES</u>			
Department of Public Works			
Water Supply			
Salaries and Wages	41,929	36,255	36,128
City Superintendent	6,715	6,716	6,521
Treasurer	7,535	7,245	6,418
Employee Fringe Benefits	9,834	26,950	25,375
Office Supplies	300	220	136
Postage	700	645	607
Repair and Maintenance Supply	16,963	20,004	11,728
Independent Audit	2,300	2,325	2,300
City Administration and Accounting		180	255
Engineering	6,793	10,036	7,624
Contracted Services	11,172	10,767	11,864
Travel	150	0	0
Water Sample Testing	3,500	1,095	2,171
Membership and Dues	700	400	275
DEQ Annual Fees	1,003	1,003	1,049
Telephone	500	440	506
Printing and Publishing	1,800	1,800	0
Insurance and Bonding	1,300	1,656	1,821
Electricity	11,405	11,210	11,710
Building Repairs	500	281	0
Equipment Repairs	4,720	4,714	3,419
Software/Hardware Maintenance Agreement	1,800	1,780	1,627
Equipment Rental	28,713	42,456	33,696
Education and Training	600	0	115

CITY OF MANTON, MICHIGAN

WATER SUPPLY SYSTEM  
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND NET ASSETS  
BUDGET AND ACTUAL

YEAR ENDED NOVEMBER 30, 2008  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR-ENDED NOVEMBER 30, 2007

	<u>BUDGET</u>	<u>2008</u>	<u>2007</u>
Miscellaneous	51	0	0
Depreciation	28,000	30,325	27,339
Capital Outlay	1,752	1,752	0
Contingencies	16,346	0	0
Total Operating Expenses	<u>207,081</u>	<u>220,255</u>	<u>192,684</u>
Operating Income (Loss)	<u>12,879</u>	<u>(15,793)</u>	<u>13,725</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Interest Income	774	4,244	4,853
Interest Expense	<u>(30,000)</u>	<u>(25,523)</u>	<u>(25,904)</u>
Total Nonoperating Revenues (Expenses)	<u>(29,226)</u>	<u>(21,279)</u>	<u>(21,051)</u>
Change in Net Assets Before Capital Contributions	(16,347)	(37,072)	(7,326)
<u>CAPITAL CONTRIBUTIONS</u>			
Community Development Block Grant	<u>0</u>	<u>2,180</u>	<u>146,341</u>
Change in Net Assets	(16,347)	(34,892)	139,015
<u>Net Assets</u> - Beginning of Year	<u>447,154</u>	<u>447,154</u>	<u>308,139</u>
<u>Net Assets</u> - End of Year	<u>\$ 430,807</u>	<u>\$ 412,262</u>	<u>\$ 447,154</u>

CITY OF MANTON, MICHIGAN

WATER SUPPLY SYSTEM  
COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED NOVEMBER 30,

	<u>2008</u>	<u>2007</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities		
Cash Received from Customers and Other Revenues	\$ 246,256	\$ 155,939
Cash Payments to Suppliers for Goods and Services	(186,641)	(88,320)
Cash Payments to Employees for Services	(36,255)	(36,128)
Net Cash Provided by Operating Activities	<u>23,360</u>	<u>31,491</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition of Capital Assets	0	(188,723)
Capital Contributions	2,180	146,341
Principal Paid on Bonds	(8,000)	(8,000)
Interest Paid on Capital Debt	(25,583)	(25,907)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(31,403)</u>	<u>(76,289)</u>
Cash Flows from Investing Activities		
Interest Received	4,244	4,853
Investments Converted to Cash	0	68,906
Net Cash Provided (Used) by Investing Activities	<u>4,244</u>	<u>73,759</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,799)	28,961
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>112,946</u>	<u>83,985</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>\$ 109,147</u>	<u>\$ 112,946</u>

CITY OF MANTON, MICHIGAN

WATER SUPPLY SYSTEM  
COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED NOVEMBER 30,

RECONCILIATION OF OPERATING INCOME TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES:

	2008	2007
<u>Cash Flows from Operating Activities:</u>		
Operating Income (Loss)	\$ (15,793)	\$ 13,725
Adjustments to Reconcile Operating Income to		
Net Cash Provided (Used) by Operating Activities		
Depreciation	30,325	27,339
Accounts Receivable (Increase) Decrease	27,414	(33,803)
Due from Other Funds (Increase) Decrease	11,254	(11,254)
Prepaid Expense (Increase) Decrease	66	(926)
Inventory (Increase) Decrease	3,060	(4,487)
Accounts Payable Increase (Decrease)	(31,601)	30,865
Due to Other Funds Increase (Decrease)	(1,365)	10,032
Net Cash Provided by Operating Activities	<u>\$ 23,360</u>	<u>\$ 31,491</u>

CITY OF MANTON, MICHIGAN

SEWAGE DISPOSAL SYSTEM  
COMPARATIVE STATEMENT OF NET ASSETS

NOVEMBER 30,

	<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
<u>CURRENT ASSETS</u>			
Cash		\$ 481,310	\$ 462,285
Receivables			
Customer Charges		23,678	20,500
Due from Other Funds			
General Fund		0	3,972
Prepaid Expense		2,366	2,547
Total Current Assets		507,354	489,304
<u>RESTRICTED ASSETS</u>			
Cash			
Bond Redemption		6,606	6,606
<u>CAPITAL ASSETS</u>			
Land		201,231	201,231
Buildings		2,733	2,733
Collection System		679,594	679,594
Treatment System		3,878,104	3,878,104
Machinery and Equipment		415,832	415,832
Accumulated Depreciation		(1,013,841)	(883,098)
Net Capital Assets		4,163,653	4,294,396
<u>OTHER NON CURRENT ASSETS</u>			
Bond Issuance Costs		19,000	19,000
Accumulated Amortization		(1,900)	(950)
Net Other Current Assets		17,100	18,050
TOTAL ASSETS		\$ 4,694,713	\$ 4,808,356

CITY OF MANTON, MICHIGAN

SEWAGE DISPOSAL SYSTEM  
COMPARATIVE STATEMENT OF NET ASSETS

NOVEMBER 30,

	<u>2008</u>	<u>2007</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 2,260	\$ 1,373
Accrued Interest Payable	3,446	3,620
Due to Other Funds		
General Fund	24,251	24,530
Current Portion of Revenue Bonds	65,000	60,000
Total Current Liabilities	94,957	89,523
<u>LONG TERM LIABILITIES</u>		
2007 Revenue Bonds Payable	1,204,000	1,269,000
TOTAL LIABILITIES	1,298,957	1,358,523
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	2,894,653	2,965,396
Restricted for Debt Service	6,606	6,606
Unrestricted	494,497	477,831
TOTAL NET ASSETS	\$ 3,395,756	\$ 3,449,833

CITY OF MANTON, MICHIGAN

SEWAGE DISPOSAL SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND NET ASSETS

BUDGET AND ACTUAL

YEAR ENDED NOVEMBER 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2007

	<u>BUDGET</u>	<u>2008</u>	<u>2007</u>
<u>OPERATING REVENUES</u>			
Charges for Services			
Service Billing	\$ 209,475	\$ 205,294	\$ 214,498
Service Connection Billings	1,200	2,500	0
Total Operating Revenues	<u>210,675</u>	<u>207,794</u>	<u>214,498</u>
<u>OPERATING EXPENSES</u>			
Department of Public Works			
Sewage Disposal			
Salaries and Wages	26,664	25,903	20,820
City Superintendent	6,715	6,716	6,270
Treasurer	7,535	7,535	6,685
Employee Fringe Benefits	10,000	20,464	16,121
Office Supplies	1,900	1,136	358
Postage	600	561	533
Operating Supplies	5,000	3,003	6,409
Independent Audit	5,100	5,100	4,875
City Administration and Accounting	6,180	180	180
Engineering	0	0	489
Contracted Services	2,000	0	3,334
Travel	200	0	0
Testing and Staking	12,132	14,009	7,614
Dues	3,800	3,800	3,650
Telephone	200	0	0
Printing and Publishing	300	90	0
Insurance and Bonding	6,182	4,554	5,008
Electricity - Pumping Stations	3,000	2,256	1,995
Electricity - Lagoons	20,331	20,235	19,126
Equipment Repairs	9,444	9,492	1,970
Software/Hardware Maintenance Agreement	3,000	1,780	1,627
Equipment Rental	18,133	21,574	12,642
Education and Training	300	230	0
Permit	0	0	16,624

CITY OF MANTON, MICHIGAN

SEWAGE DISPOSAL SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND NET ASSETS

BUDGET AND ACTUAL

YEAR ENDED NOVEMBER 30, 2008

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED NOVEMBER 30, 2007

	BUDGET	2008	2007
Depreciation and Amortization	25,900	131,693	141,000
Miscellaneous	300	0	0
Capital Outlay	361	0	0
Total Operating Expenses	175,277	280,311	277,330
Operating Income (Loss)	35,398	(72,517)	(62,832)
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Interest Income	774	10,980	11,154
Miscellaneous Income	0	28,882	0
Interest Expense	(35,350)	(21,422)	(44,162)
Total Nonoperating Revenues (Expenses)	(34,576)	18,440	(33,008)
Change in Net Assets Before Capital Contributions	822	(54,077)	(95,840)
<u>CAPITAL CONTRIBUTIONS</u>			
Rural Development Grant	0	0	189,279
Change in Net Assets	822	(54,077)	93,439
<u>Net Assets - Beginning of Year</u>	3,449,833	3,449,833	3,356,394
<u>Net Assets - End of Year</u>	<u>\$ 3,450,655</u>	<u>\$ 3,395,756</u>	<u>\$ 3,449,833</u>



CITY OF MANTON, MICHIGAN

SEWAGE DISPOSAL SYSTEM  
COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED NOVEMBER 30,

	2008	2007
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities		
Cash Received from Customers and Other Revenues	\$ 208,769	\$ 490,535
Cash Payments to Suppliers for Goods and Services	(107,856)	(393,368)
Cash Payments to Employees for Services	(40,154)	(33,775)
Net Cash Provided (Used) by Operating Activities	60,759	63,392
Cash Flows from Non-Capital Financing Activities		
Miscellaneous Income	28,882	0
Cash Flows from Capital and Related Financing Activities		
Proceeds From Long-Term Debt	0	1,334,000
Principal Paid on Bonds	(60,000)	(1,356,000)
Acquisition of Capital Assets	0	(193,668)
Capital Contributions	0	189,279
Interest Paid on Bonds	(21,596)	(58,658)
Net Cash Provided (Used) for Capital and Related Financing Activities	(81,596)	(85,047)
Cash Flows from Investing Activities		
Interest Received	10,980	11,154
Investments Converted to Cash	0	126,315
Net Cash Provided (Used) by Investing Activities	10,980	137,469
Net Increase (Decrease) in Cash and Cash Equivalents	19,025	115,814
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	468,891	353,077
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 487,916	\$ 468,891

CITY OF MANTON, MICHIGAN

SEWAGE DISPOSAL SYSTEM  
COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED NOVEMBER 30,

RECONCILIATION OF OPERATING INCOME TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES:

	2008	2007
<u>Cash Flows from Operating Activities:</u>		
Operating Income (Loss)	\$ (72,517)	\$ (62,832)
Adjustments to Reconcile Operating Income to		
Net Cash Provided (Used) by Operating Activities		
Depreciation and Amortization	131,693	141,000
Accounts Receivable (Increase) Decrease	(3,178)	(365)
Due from Other Governments (Increase) Decrease	0	282,921
Due from Other Funds (Increase) Decrease	3,972	(3,972)
Prepaid Expense (Increase) Decrease	181	(2,547)
Accounts Payable Increase (Decrease)	887	(292,624)
Due to Other Funds Increase (Decrease)	(279)	1,811
Net Cash Provided by (Used for) Operating Activities	<u>\$ 60,759</u>	<u>\$ 63,392</u>

CITY OF MANTON, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

NOVEMBER 30, 2008

	BALANCE			BALANCE		
	12/1/2007	ADDITIONS	DEDUCTIONS	11/30/2008		
<u>ASSETS</u>						
Cash in Bank	\$ 2,402	\$ 951,360	\$ 953,709	\$ 53		
<u>LIABILITIES</u>						
Due to Other Funds	\$ 53	\$ 329,052	\$ 329,052	\$ 53		
Due to Other Governments	2,349	621,562	623,911	0		
Taxpayer Overpayments	0	746	746	0		
TOTAL LIABILITIES	\$ 2,402	\$ 951,360	\$ 953,709	\$ 53		

CITY OF MANTON, MICHIGAN  
IMPREST PAYROLL FUND  
COMPARATIVE BALANCE SHEET

NOVEMBER 30,

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash	<u>\$ 0</u>	<u>\$ 470</u>
<u>LIABILITIES AND BALANCE</u>		
<u>LIABILITIES</u>		
Payroll Withholding Taxes	\$ 0	\$ 470
<u>BALANCE</u>	<u>0</u>	<u>0</u>
TOTAL LIABILITIES AND BALANCE	<u>\$ 0</u>	<u>\$ 470</u>

CITY OF MANTON, MICHIGAN

SCHEDULE OF 1998 WATER SUPPLY SYSTEM REVENUE BONDS PAYABLE  
NOVEMBER 30, 2008

<u>TITLE OF ISSUE</u>	City of Manton 1998 Water Supply System Revenue Bonds		
<u>PURPOSE</u>	Paying all or part of the cost of Construction in the Water Supply System in the City of Manton		
<u>DATE OF ISSUE</u>	July 23, 1998		
<u>AMOUNT OF ISSUE</u>			\$ 600,000
<u>AMOUNT REDEEMED</u>			
Prior to Current Period	\$ 62,000		
During Current Period	<u>8,000</u>		<u>70,000</u>
<u>BALANCE OUTSTANDING</u> - November 30, 2008			<u>\$ 530,000</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
May 1, 2009	4.75%		\$ 12,588	\$ 12,588
November 1, 2009	4.75%	\$ 9,000	12,587	21,587
May 1, 2010	4.75%		12,374	12,374
November 1, 2010	4.75%	9,000	12,374	21,374
May 1, 2011	4.75%		12,160	12,160
November 1, 2011	4.75%	9,000	12,160	21,160
May 1, 2012	4.75%		11,946	11,946
November 1, 2012	4.75%	10,000	11,946	21,946
May 1, 2013	4.75%		11,709	11,709
November 1, 2013	4.75%	10,000	11,709	21,709
May 1, 2014	4.75%		11,471	11,471
November 1, 2014	4.75%	11,000	11,471	22,471
May 1, 2015	4.75%		11,210	11,210
November 1, 2015	4.75%	11,000	11,210	22,210
May 1, 2016	4.75%		10,949	10,949
November 1, 2016	4.75%	12,000	10,949	22,949
May 1, 2017	4.75%		10,664	10,664
November 1, 2017	4.75%	13,000	10,664	23,664
May 1, 2018	4.75%		10,355	10,355
November 1, 2018	4.75%	13,000	10,355	23,355

CITY OF MANTON, MICHIGAN

SCHEDULE OF 1998 WATER SUPPLY SYSTEM REVENUE BONDS PAYABLE  
NOVEMBER 30, 2008

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
May 1, 2019	4.75%		10,046	10,046
November 1, 2019	4.75%	14,000	10,046	24,046
May 1, 2020	4.75%		9,714	9,714
November 1, 2020	4.75%	14,000	9,714	23,714
May 1, 2021	4.75%		9,381	9,381
November 1, 2021	4.75%	15,000	9,381	24,381
May 1, 2022	4.75%		9,025	9,025
November 1, 2022	4.75%	16,000	9,025	25,025
May 1, 2023	4.75%		8,645	8,645
November 1, 2023	4.75%	17,000	8,645	25,645
May 1, 2024	4.75%		8,241	8,241
November 1, 2024	4.75%	18,000	8,241	26,241
May 1, 2025	4.75%		7,814	7,814
November 1, 2025	4.75%	19,000	7,814	26,814
May 1, 2026	4.75%		7,363	7,363
November 1, 2026	4.75%	19,000	7,362	26,362
May 1, 2027	4.75%		6,911	6,911
November 1, 2027	4.75%	20,000	6,911	26,911
May 1, 2028	4.75%		6,436	6,436
November 1, 2028	4.75%	22,000	6,436	28,436
May 1, 2029	4.75%		5,914	5,914
November 1, 2029	4.75%	22,000	5,914	27,914
May 1, 2030	4.75%		5,391	5,391
November 1, 2030	4.75%	24,000	5,391	29,391
May 1, 2031	4.75%		4,821	4,821
November 1, 2031	4.75%	25,000	4,821	29,821
May 1, 2032	4.75%		4,228	4,228
November 1, 2032	4.75%	26,000	4,227	30,227
May 1, 2033	4.75%		3,610	3,610
November 1, 2033	4.75%	27,000	3,610	30,610
May 1, 2034	4.75%		2,969	2,969
November 1, 2034	4.75%	29,000	2,969	31,969
May 1, 2035	4.75%		2,280	2,280
November 1, 2035	4.75%	30,000	2,280	32,280

CITY OF MANTON, MICHIGAN

SCHEDULE OF 1998 WATER SUPPLY SYSTEM REVENUE BONDS PAYABLE  
NOVEMBER 30, 2008

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
May 1, 2036	4.75%		1,568	1,568
November 1, 2036	4.75%	32,000	1,567	33,567
May 1, 2037	4.75%		808	808
November 1, 2037	4.75%	34,000	808	34,808
		<u>\$ 530,000</u>	<u>\$ 461,178</u>	<u>\$ 991,178</u>

PRIOR REDEMPTION

The bonds shall not be subject to redemption prior to maturity or otherwise defeased without written approval of the United States Department of Agriculture.

CITY OF MANTON, MICHIGAN

SCHEDULE OF 2007 SANITARY SEWER SYSTEM REVENUE REFUNDING BONDS PAYABLE  
NOVEMBER 30, 2008

<u>TITLE OF ISSUE</u>	Sanitary Sewer System Revenue Refunding Bonds, Series 2007		
<u>PURPOSE</u>	Refunding of the Series 2004 and 2006 Sanitary Sewer System Revenue Bonds.		
<u>DATE OF ISSUE</u>	June 21, 2007		
<u>AMOUNT OF ISSUE</u>	\$ 1,334,000		
<u>AMOUNT REDEEMED</u>			
Prior to Current Period	\$ 5,000		
During Current Period	<u>60,000</u>		<u>65,000</u>
<u>BALANCE OUTSTANDING</u> - November 30, 2008			<u>\$ 1,269,000</u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
April 1, 2009	1.625%		\$ 10,311	\$ 10,311
October 1, 2009	1.625%	\$ 65,000	10,311	75,311
April 1, 2010	1.625%		9,782	9,782
October 1, 2010	1.625%	65,000	9,783	74,783
April 1, 2011	1.625%		9,254	9,254
October 1, 2011	1.625%	65,000	9,254	74,254
April 1, 2012	1.625%		8,726	8,726
October 1, 2012	1.625%	65,000	8,726	73,726
April 1, 2013	1.625%		8,198	8,198
October 1, 2013	1.625%	65,000	8,198	73,198
April 1, 2014	1.625%		7,670	7,670
October 1, 2014	1.625%	70,000	7,670	77,670
April 1, 2015	1.625%		7,101	7,101
October 1, 2015	1.625%	70,000	7,101	77,101
April 1, 2016	1.625%		6,532	6,532
October 1, 2016	1.625%	70,000	6,533	76,533
April 1, 2017	1.625%		5,964	5,964
October 1, 2017	1.625%	70,000	5,964	75,964
April 1, 2018	1.625%		5,395	5,395
October 1, 2018	1.625%	70,000	5,395	75,395
April 1, 2019	1.625%		4,826	4,826
October 1, 2019	1.625%	75,000	4,826	79,826



CITY OF MANTON, MICHIGAN

SCHEDULE OF 2007 SANITARY SEWER SYSTEM REVENUE REFUNDING BONDS PAYABLE  
NOVEMBER 30, 2008

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
April 1, 2020	1.625%		4,217	4,217
October 1, 2020	1.625%	75,000	4,217	79,217
April 1, 2021	1.625%		3,607	3,607
October 1, 2021	1.625%	75,000	3,608	78,608
April 1, 2022	1.625%		2,998	2,998
October 1, 2022	1.625%	75,000	2,998	77,998
April 1, 2023	1.625%		2,389	2,389
October 1, 2023	1.625%	80,000	2,389	82,389
April 1, 2024	1.625%		1,739	1,739
October 1, 2024	1.625%	80,000	1,739	81,739
April 1, 2025	1.625%		1,089	1,089
October 1, 2025	1.625%	80,000	1,089	81,089
April 1, 2026	1.625%		439	439
October 1, 2026	1.625%	54,000	439	54,439
		<u>\$ 1,269,000</u>	<u>\$ 200,477</u>	<u>\$ 1,469,477</u>

PRIOR REDEMPTION

Bonds will be subject to redemption prior to maturity by the City only with prior written consent of the Michigan Municipal Bond Authority and on such terms as required by the Bond Authority.

# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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December 16, 2008

### COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Mayor and City Commission  
City of Manton, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Manton for the year ended November 30, 2008, and has issued our report thereon dated December 16, 2008. Professional standards require that we provide you with the following information related to our audit.

#### Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated December 8, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the City of Manton. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of the City of Manton's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Manton are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-08. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant

transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

#### *Difficulties Encountered in Performing the Audit*

We encountered no difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We proposed several adjusting journal entries which were reviewed and accepted by management. No material misstatements were noted.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 16, 2008.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the course of our audit of the basic financial statements of the City of Manton for the year ended November 30, 2008, we noted the following list of items which we feel deserve comment:

#### Public Act 621

The City has adequate procedures in place to prepare and monitor the budgets. However, we did note the following items that were not in compliance with Public Act 621 of 1978 (Uniform Budgeting and Accounting Act).

Expenditures for several activities in the General Fund exceeded the budgeted amounts. Also expenditures within the Fire Fund exceeded the budgeted amounts.

The budget did not include the all of the elements required by PA 621 of 1978. These required elements are:

- a. Actual expenditures for the most recently completed fiscal year;
- b. Estimated expenditures for the current fiscal year (to be arrived at by using actual expenditures to date and estimating expenditures to the end of the fiscal year);

- c. An estimate of the expenditures in the next fiscal year;
- d. Actual revenue for the most recently completed fiscal year;
- e. Estimated revenue for the current fiscal year (to be arrived at by using actual revenue to date and estimating revenue to the end of the fiscal year);
- f. An estimate of the revenue in the next fiscal year;
- g. Beginning and ending fund balance for each year;
- h. An estimate of the amounts needed for deficiency, contingent, or emergency purposes; and
- i. Other data relating to fiscal conditions that the chief administrative officer considers to be useful in considering the financial needs of the local unit.

#### Accrued Sick Time

At the time of our examination we found that the City needs to improve the procedures to track the sick days used or accrued.

#### Bond Reserve Requirements

The bond issues for water revenue bonds require certain amounts to be set aside in a Bond Reserve Account and a Repair, Replacement and Improvement Account. The water revenue bonds were found to be \$24,408 short of the reserve requirement for this year. We recommend the City review the bond agreements for both the sewer and water revenue bonds to ensure that all reserve requirements are being met.

#### Federal Employers Identification Number (FEIN)

The City should control and limit the use of its FEIN to accounts and uses authorized by state law and activities included in its annual audit. Confirmation with the City's bank indicated the Manton Firemans Association and the Expressway Association may have bank accounts using the City's FEIN. We recommend the Manton Firemans Association and the Expressway Association obtain their own FEIN and discontinue use of the City's FEIN.

#### Transfers from Major to Local Streets

The Michigan Department of Transportation has changed the way transfers from Major to Local Streets may be determined. The transfer amount instead of a percentage of major street revenue is now limited to the amount of maintenance (snow removal, routine maintenance, etc.) that the local street spends during the year, but may not exceed 50% of annual Major Street funding. This year the City's transfer from Major Streets to Local Streets was \$33,485. The budgeted amount was not sent during the year so the cash will be paid during the 2008-2009 fiscal year. Per the Michigan Department of Transportation,

effective on January 1, 2009, Major Street funds may not be transferred to Local Streets except to the extent matched by local revenues expended on the Major Street system.

Condition of Financial Records

The accounting records were found to be well organized and well documented.

We commend Teresa and Deb for a good year in meeting the recordkeeping requirements for the City, and we appreciate their efforts.

This communication is intended solely for the information and use of the Council and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

# *Baird, Cotter and Bishop, P.C.*

## CERTIFIED PUBLIC ACCOUNTANTS

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December 16, 2008

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Mayor and City Commission  
City of Manton, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Manton, Michigan as of and for the year ended November 30, 2008, which collectively comprise the City of Manton, Michigan's basic financial statements and have issued our report thereon dated December 16, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Manton, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Manton, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Manton, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Manton, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Manton, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the City of Manton, Michigan's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

Finding 2008-1: The relatively small number of people involved in the accounting functions of the City and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Council must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

View of Responsible Official: Due to budgetary constraints, management is unable to employ the number of accounting personnel to attain an adequate separation of duties between management functions, accounting functions and custody of the City's assets. To the extent possible, duties are allocated between the accounting personnel to mitigate risk of material misappropriation of assets.

Finding 2008-2: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible Official: The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Manton, Michigan's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

## Compliance

As part of obtaining reasonable assurance about whether the City of Manton, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described above.

We noted certain matters that we reported to management of the City of Manton, Michigan, in a separate letter dated December 16, 2008.

The City of Manton, Michigan's response to the findings identified in our audit is above. We did not audit the City of Manton, Michigan's response and, accordingly, we express no opinion on it.

This report is intended for the information of the Council, management, the Michigan Department of Treasury and other regulatory bodies. However, this report is a matter of public record, and its distribution is not limited.

BAIRD, COTTER AND BISHOP, P. C.

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